

# Nation's Business

February 1961 Vol. 49 No. 2

Published by the Chamber of Commerce of the United States  
Washington, D.C.

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Reader asks for further information on the relationship of savings to expenditures; acceptance of false ideas is hit

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## **27 TRENDS: Kennedy faces short honeymoon**

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We are learning late that the sense of purpose which draws men toward new frontiers is simply another name for profits

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# management's WASHINGTON LETTER

►KEEP THESE FACTS in mind for your basic business planning:

Volume, biggest ever in '60, will go higher in '61.

Big jump expected in '62.

►BUSINESS TRENDS point up for long run.

Washington's key-placed economists look for spring thaw to bring signs of business improvement.

Cloudy horizon will clear up quickly starting about midyear.

Sharp rise coming in fall months.

Better business will come from these economic forces:

Consumers--who'll boost consumption.

Government--beginning already to push spending to record high.

Foreign countries--which will keep U. S. exports running at high pace.

►HERE'S LOOK AHEAD at consumption rate probabilities:

Slight dip ahead (about one per cent), followed by rising sales in third and fourth quarters this year.

Total personal consumption is expected to reach \$336 billion annual rate by next Christmas season.

That'll be about \$9 billion higher than low point this spring.

In '60 it was \$328 billion, \$313.8 billion in '59.

►TAX BITE SAPS consumption strength.

Here are figures--judge for yourself:

Personal taxes currently are taking more than \$52 billion a year out of personal income.

That's \$6 billion higher than a year ago.

It's \$9.6 billion higher than '58.

It's \$16.2 billion higher than '55.

►IT'S DEFINITE NOW--Government is on \$100 billion a year basis.

Total purchases of goods and services by government--state, local, federal--have passed that mark.

It's headed on up from here.

Government buying by year-end will rise to estimated \$109 billion.

►PUSH IS ON to grab credit for business rise coming next fall.

Watch for Administration actions to be quick, decisive.

Statistical bottom of current dip is expected during next three to six months.

Politicians want to take credit for pulling U. S. out of slump.

What worries many business economists is that big government spending programs will reach maximum impact during next business boom.

This could bring up inflation worries for '62 and '63.

►DON'T BANK HEAVILY on new government solutions for old economic problems.

What appear to be new ideas are coming from new people in government.

But old hands in Washington, viewing prospects, say privately they won't all work as expected.

"Close examination of these so-called new ideas," one old hand says, "shows they aren't new at all--but rather have many features we've long known wouldn't work."

Example:

Boost farm surplus giveaway to foreign countries by \$3 billion to \$4 billion a year.

New people in Washington suggest this as way to solve farm surplus problem in two to three years.

But will it?

Old hands think it won't.

Think also it'll add to other national headaches.

Examples:

Giving wheat away to foreign countries will upset economy of Argentina.

Giving rice away will wreck Thailand's economy.

Dumping cotton will undercut Mexico's economy.

Result:

Up goes need for foreign economic aid financed by U. S. taxpayers who also pay for farm surpluses.

►UNEMPLOYMENT will dominate economic news you'll get from Washington for next two to three months.

Jobless total, now more than 500,000 higher than three months ago, will rise.

But don't overlook other side of job coin.

What's missing from reports you're hearing is this:

Total employment--number of Americans

at work, drawing good pay--has climbed steadily for a year.

Total at work now is approximately 66 million.

Year-ago total: 64 million.

Roughly two million people have joined work force in past year.

That's more than twice as high as annual average for a decade.

Little-known fact about unemployment:

Roughly 700,000 teen-agers are listed as unemployed.

Survey shows 35 per cent of these are attending school, couldn't work full time if jobs were offered.

►IN TRYING TO FOLLOW government data on business conditions, keep this fact in mind:

Statistics are changed from time to time.

Example:

Total new construction put in place in '59 was first reported officially at \$54 billion.

But total has been revised.

It's now \$56.2 billion.

That's an alteration upward of more than four per cent.

►THING TO REMEMBER about government business data is direction of change --whether up or down and how much.

Information is difficult to collect, hard to assess until complete data have been assembled.

But you can gauge future trends by knowing which way economic wind is blowing.

Look at construction's future.

Indicated now is \$55 billion total for new construction in past year.

Good forecast for '61 is probable volume of \$57.5 billion.

These figures will be revised perhaps several times before final data become available.

What they tell you now about the future--and what revised figures months from now will confirm--is that direction of change is up for construction.

Magnitude of increase is indicated at about \$2.5 billion.

That means:

Companies in new construction, on the whole, will do 4.5 to five per cent more business this year.

►TRICKY INTERPRETATIONS often cloud what's happening in America.

Look at news item which says average American family isn't seriously hurt by inflation.

Based on government report, item says family incomes went up more than twice as fast as living costs in '47 to '59.

Report does show steady increase in family buying power.

What's left out is how much families were robbed by inflation.

Fact is:

Buying power would have gone up twice as fast as it did if inflation had been held in check.

Facts you need to know are these:

Per capita after-tax personal income --that's money people have to spend for goods and services--rose by \$726 for period covered in report.

But inflation limited buying-power increase to \$395 for each person.

►PRICE YOU PAY to get good employees could go up because of congressional action being considered--whether your industry is named in law or not.

Proposal involves hiking lawful wage minimum 25 per cent, expanding coverage to millions of additional employees.

But issue involves business costs at all levels, not just bottom-scale pay.

Increase at bottom builds pressure for higher wages at other levels as well.

How spreading impact of government action works is shown by recent union contract signed by manufacturers and International Ladies' Garment Workers.

Contract provides for wage increases, with added proviso that lowest wages under new contract must be at least 15 per cent above lawful minimum.

If minimum is boosted to \$1.25 an hour this means machine operators now getting \$1.30 an hour under new agreement will have to be raised immediately to \$1.44.

►THOUGHTS ABOUT FUTURE of business:

America will have manpower to produce substantially greater national product.

Business profits may be hard-earned in years ahead--even if our economy maintains reasonable balance and we employ our resources fully.

Competitive situation favors profits from volume and from innovation rather

# management's WASHINGTON LETTER

than high per-unit profits on existing mass production goods.

A firm which is satisfied with its product line is headed for trouble.

Public is demanding long-wearing, trouble-free goods tailored more exactly to its needs.

If we are to compete with foreign goods, American business must pay close attention to customers' desires.

These comments about the future of business come from Bank of America President S. Clark Beise.

See: "Here's Shape of Coming Boom."  
It's on page 42.

## ► YOU CAN PLAN your own recession.

Some businessmen are doing that.

Look at furniture.

Many retailers in this industry are planning to sell down during months ahead.

Selling down means:

Stores will push cheaper items rather than quality merchandise.

Example:

Store can sell you a couch for \$117, one for \$199, or one for \$277.

Store manager figures customers will resist buying more expensive couch so he'll shift inventory to lower-priced stock.

Manager reasons that:

Even in areas where unemployment is no problem now, his customers have been made recession-minded by newspapers that feature bad business news from other regions.

What this means is:

Even if this store sells as many couches as last year it's assured in advance that dollar volume will be lower.

And profits will be pinched.

## ► ANOTHER DEALER looks at same set of facts, comes up with plan aimed at prosperity.

He's selling up--not down.

His advertising will feature this thought:

"It's reckless to pay less, foolish to pay more."

He reasons this way:

Consumers are cautious--not only about going into debt.

But about goods they buy as well.

It's getting harder to palm cheap goods off on consumers.

Americans, he thinks, are looking around for quality merchandise.

"It's a mistake," he says, "to think customers don't want quality."

By pushing quality, customer service, this store manager anticipates selling as many units as last year.

His profit margin?

"My business, like others, will feel pinch of rising costs.

"But we expect to make up for it by handling more dollars in '61 than we did in '60."

Added long-range benefit:

"Satisfied customers are your best future customers," he explains.

"Lots of stores will go broke this year--they always do when selling gets tough.

"But we'll meet competition and keep on boosting our volume in all the years ahead."

## ► NEED A GOOD SPEAKER for an upcoming program?

Here's a helpful hint:

There's a speaker in your region. Names of 47 are listed in new publication by U. S. Chamber of Commerce.

Speakers can talk authoritatively on government wage-fixing, unions in politics, union influence in your state legislature and in Congress, employee attitudes, expansion of social security, profits in free society, jobs and foreign competition, other topics.

Get list from:

Labor Relations and Legal Department, Section N, Chamber of Commerce of U. S., Washington 6, D. C.

## ► TREND: New church construction this year will surpass \$1 billion spent last year.

Outlay will be highest ever.

## ► FUTURE: Airlines will fly estimated 53 million passenger miles in '65.

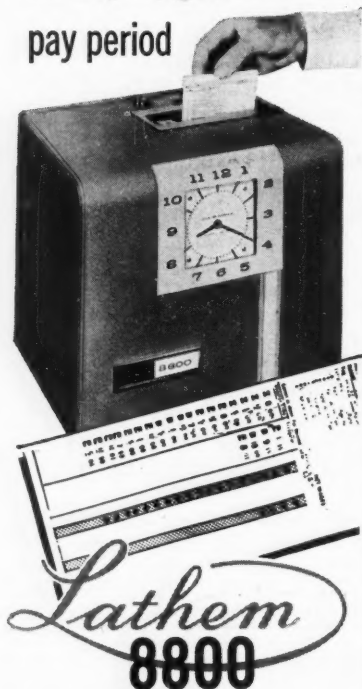
Total in '60: About 37 million.

## ► CHANGE: Typical home buyer is growing younger.

Median age of new-home buyers with FHA-insured mortgages is 33 years.

Median age was 36 two decades ago.

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**Business opinion:**

## Insurance, home mortgage payments boost savings

WOULD YOU please clarify the information on consumer savings reported in your December issue? Does not the "savings" figure include payments of life insurance premiums and amortization of home mortgages? If so, to what extent would elimination of these items reduce the amount available for consumption expenditures?

**JOHN R. WHITNEY**  
Treasurer and  
Assistant Secretary  
Kimberly-Clark Corp.  
Neenah, Wisc.

► *Personal savings do include payments on life insurance and home mortgages. The increase in personal savings—from a \$22.5 billion annual rate late in 1959 to \$29.2 billion late in 1960—apparently reflects a substantial increase in liquid savings. Expenditure of these funds therefore would add to consumption. While personal savings have increased significantly, the annual rate for total personal consumption has declined slightly.*

### Government aid not free

From many quarters there is a great chorus of lament about the moral status of the country. In my opinion this condition develops from our willingness to accept as gospel ideas which are not at all true. The chaotic condition of the world today is traceable to the docile adoption of ideas from men such as Marx, Lenin, Trotsky, Castro, which have no basis in fact or reality.

First, Americans must be convinced, by whatever clear thinkers there may be among us, that there is nothing—but nothing—which the citizen can receive from government that he does not first put into it—in the same or greater measure. This idea is fundamental and to ignore it would leave the way open for the establishment of government management.

**FELIX M. LUGO**  
Proprietor  
The Bay Paper Company  
Stapleton, Staten Island, N. Y.

### Heart of an illness

Your editorial "People Haven't Changed—Only the Climate" (November) strikes at the heart of a

growing domestic illness. It aptly states a problem which has caused me growing concern in recent months.

**J. A. COLLISON**  
General Electric Company  
Schenectady, N. Y.

### Special letter encouraging

Foreign trade is attracting greater interest each year. Many communities are now considering foreign trade as a possible aid in solving economic problems. But also in many communities, foreign trade has created problems. Imports are changing one-time prosperous areas into depressed areas.

Your special letter (December) was most heartening, particularly the aspect of increased exports. Experience teaches chamber of commerce managers to be suspicious of the results of the Reciprocal Trade Agreement during the past 15 years and the United States has remained on the short end of the stick. Our international policy, of course, is of utmost importance to future foreign trade, but it, too, has created problems for American business.

**DELMAR O. HAESE**  
Executive Manager  
Ashland Chamber of Commerce  
Ashland, Wisc.

### His people believe us

Once again you have scored with your eagle eye. This one, "Highway Program—Future Hangs on Quick Action" from your October issue, is exactly what I have been looking for. My people will believe it if NATION'S BUSINESS tells 'em. I tell 'em a half dozen times a year.

Seriously, you have done a real workmanlike job of reporting the whole story.

So—  
I would like to have, for mailing out to my members, 450 copies of the article.

**MICHAEL DESMOND**  
Executive Secretary  
Ohio Highway and Turnpike  
Association  
Columbus, Ohio

### Credit for hidden pay

Please accept our congratulations on the article "Take Credit for Hidden Pay," appearing in your October issue. We find it well writ-



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ten and intriguing, and are giving some thought to distributing reprints to our field force.

ROBERT B. BORDEN  
John Hancock Mutual  
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Boston, Mass.

"Take Credit for Hidden Pay" stimulated a productive two-hour discussion in an Effective Communication Conference at my company.

A discussion group in search of something to discuss hit upon C. J. Dover's provocative article. They examined Mr. Dover's ideas in the light of their own experience as supervisors and foremen; they ended up with 10 recommendations to the personnel department.

D. W. PALMER  
United Air Lines  
Chicago, Ill.

Your article "Take Credit for Hidden Pay" (October) strikes me as the kind of article which businessmen will find helpful. Everyone agrees that employers should be more effective in their communication efforts, but most of us lack the kind of know-how provided by articles like this one.

JONOTHAN JOHNSON  
Chicago, Ill.

**For all business readers**

"Find Indispensable Man—Then Fire Him" (December) should be read by every person in today's business from clerks on up.

F. E. KEYPORT  
Springfield, Ill.

**Clarification**

I am too busy to compliment you once a month on your fine work, and I think you will appreciate the few times an error is called to your attention.

In your January issue ("Unions Build More Pressure on Congress") you list Arkansas as getting its Right-to-Work Law in 1947. We passed our constitutional amendment in 1944 (the same year as Florida). It was the enabling act (penalty clause) which we passed in the legislature in 1947.

GEORGE DICKINSON  
Executive Director  
Arkansas Free Enterprise  
Association  
Little Rock, Ark.

►Thanks to reader Dickinson for this distinction.

**He liked two**

In the November issue two interesting articles appear: "Senior Citizens Pay Own Way" and "People Haven't Changed, Only the Climate."

E. H. O'CONNOR  
Managing Director  
Insurance Economics Society of America  
Chicago, Ill.

# Climate by Chrysler



New S. S. Kresge Variety Store, Haddonfield, N. J. Consulting Engineer: Charles Barrows, Levittown, Pa.; Air Conditioning Contractor: John P. Murdoch Co., Philadelphia, Pa.

## Chrysler Air Conditioning says "welcome" 1500 times a day at new S. S. Kresge store!

S. S. Kresge Variety Stores do a land-office business in everything from balloons to barbecues. No exception is Kresge's new store (in the Ellisburg Circle Shopping Center) where Chrysler Air Conditioning bids a cool welcome to an average of 1500 shoppers daily.

With that number of people passing through the entrance doors—plus the fact that the entire front of the store is a continuous expanse of glass—it takes 70 tons of air conditioning to cool the 16,800 sq. ft. sales area.

At the heart of the system is a Chrysler compressor mounted atop a raised floor to the rear. Installing the equipment above ground level provides room for storage beneath, thus answering another demand that all space be used to best advantage.

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# Executive Trends

- Biggest challenges facing business
- How to delegate more effectively
- Outlook for job-switchers

What are the biggest challenges facing business in the 1960's?

A leading U. S. business executive pinpoints three:

1. Industry must greatly increase its basic research and new product development in order to keep in front of foreign competition.

2. We must speed up automation of manufacturing processes and administration—to offset lower direct labor costs of our foreign competitors.

3. Climate for economic progress must be improved so American industry can deal effectively with the first two challenges. As a dominant case in point, an overhaul of our tax structure is long overdue—to provide greater individual and organizational incentives and to assure adequate new capital to finance future expansion.

This is the analysis of Don G. Mitchell, president of General Telephone and Electronics Corp., in special statement to NATION'S BUSINESS.

You hear a lot about the executive who doesn't want to let go; who doesn't want to delegate authority.

There's another side to this coin. Increasingly, business executives are finding that they may be perfectly willing—even eager—to delegate some of their responsibilities. But subordinates balk at assuming the jobs the boss wants to pass down to them.

What should you do about this?

Management authorities say that

there are at least five things you can do.

First—and most important—is to recognize why subordinates sometimes seem unwilling to grab the baton and run with it. The biggest reason for their hesitancy is the fear of stumbling, of failing to carry out the assignment.

This calls for mutual discussion. Let your subordinate know that his whole career doesn't hinge on how well he handles a single slice of the delegation pie. Let him know that a mistake won't be fatal, that you have a tolerance for errors.

You owe subordinates additional assurances when you delegate.

Assure them you will keep in touch, giving them an opportunity to report progress and/or pitfalls.

Point out that the assumption of delegated responsibility is a necessary measure of their promotion potential. Men who doggedly refuse to take on delegated tasks are putting a ceiling on their own advancement. Train and coach your people in the skillful handling of delegated projects.

Assure the subordinate that he has freedom to make decisions within the scope of his assignment.

Why all the fuss over delegation?

Answer is simple: We're in fast-changing business situation. In sectors such as electronics, pharmaceuticals, growth is rapid, the need for able managers is rising sharply. Able managers are men who have had a hand in the decision-making



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**Jack Lightfoot, LOCKHEED staff engineer** working on the Polaris Missile for the Navy, explains why the COMFORT INDEX in Santa Clara County means better living to him. "It doesn't matter whether it's January or July around here - I can take off for the golf course any week end. And, frankly, I feel that I accomplish more on the job in this all-year mild climate."

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\* **COMFORT INDEX**—One of many terms used to describe the exact point at which the climate of a particular area approaches an ideal combination of moderate temperature, low humidity.



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## EXECUTIVE TRENDS

*continued*

process, who have taken on special jobs delegated to them by their superiors. Men who have been exposed to more of the problems of a company than simply those touching their own special field. Delegation is a way of building such men.

• • •

**Feeling a need** to get away from it all?

That is not surprising—judging from research into stress and social institutions conducted by Prof. Richard L. Meier of the University of Michigan Mental Health Research Institute.

He finds businessmen—under pressure to make "many sequential, concrete decisions"—seek escape in outdoor activities, such as fishing. But managerial group is doubling in number in each decade. This prompts Professor Meier to wonder: "Will there be enough high country, enough streams and lakes, and enough fish to go around?"

• • •

**You can achieve** decisions of higher quality if you exchange problem-related information and ideas with your subordinates.

This is indicated by studies of executive communication recently made by social scientist Norman L. F. Maier and his associates.

Study points up the importance of problem-solving interviews between a boss and subordinate to overcome misunderstandings of job objectives.

Some recommended uses for problem-solving interviews: in fixing job duties; in better matching subordinate's abilities to the job requirements; in shaping future changes and in gaining subordinate's acceptance of them; in pinpointing job obstacles and ways to overcome them; and in determining what degree of freedom subordinate needs to perform effectively.

• • •

**What problems** are of greatest concern to you now?

The American Management Association, which gets a steady flow of inquiries from business, says that the following subjects seem to be of particular interest at this time: long-range planning; costs; spending for research and development; the best sources for long-range economic forecasts; performance

*(continued on page 24)*





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SALES, SERVICE AND INSTRUCTION  
THROUGHOUT THE U. S. AND WORLD

## EXECUTIVE TRENDS

*continued*

standards; company policies; foreign markets—and, more specifically, how to get into them.

• • •

**Are you scheduled** to make a film or TV appearance?

More and more executives are. It's a reflection of the growing consciousness that companies must build the most favorable image possible with employees, stockholders, other "publics." Result: More managers are taking on speaking assignments.

John E. McCarthy, a New York consultant on television and film presentations involving business executives, offers some tips:

If you're due for a TV appearance, remember that being yourself is the most important objective. Don't try to act. Relax yourself by walking around studio before the show starts. Take deep breaths. Face the camera, not your interviewer.

Another reminder: TV and film appearances bring you up close to your audience, magnify your face. So, be sure to avoid mouth-twitching, lip-licking, ear-tugging and other mannerisms that you can get away with in a speech before an auditorium audience.

Such mannerisms look bad on a TV or movie screen.

• • •

**You thinking** of switching to job in a different company?

If so, 1961 could be the year to move. Demand for competent middle and upper management executives is running high, despite sluggishness in many industries and drop-off in demand for personnel at lower levels. Executive recruiters say 1961 should be a great year for them.

"There's no scarcity of demand for really top talent," one recruiter explains. "That's why clients seeking \$20,000-a-year executives, for example, are willing to pay us 20 per cent of the man's first year's salary if we find the fellow they want."

Emphasis, more and more, is on young men—30 to 50—who can hold down jobs at the presidential level or just below.

One of largest recruiting organizations says it's finding demand high in all the lines it serves, notes particular call for good marketing and sales people. **END**

## TRENDS: WASHINGTON MOOD

# Strong-willed Congress foretells short honeymoon

BY EDWARD T. FOLLIARD

PRESIDENT JOHN F. KENNEDY is off on a honeymoon with a Congress he once knew so well as a member. The chances are that the idyl won't last long.

Indeed, if election statistics and tradition mean anything, this cease-fire understanding between the White House and Capitol Hill could be one of the shortest in history.

There are two reasons for this belief:

Mr. Kennedy has let it be known that he intends to be a strong Chief Executive, one who will use his powers to the utmost in times that "demand invention, innovation, imagination, decision."

Congress is made up for the most part of strong-willed men who are extremely conscious of the fact that theirs is a coordinate branch of the United States government.

Antagonism between the President and Congress, it has been said, is built into the American system. Thus, Harold J. Laski, in his book "The American Presidency," notes that it is almost an inherent instinct of every Congress to be anti-President.

"It may respect him [the President]; it may even fear him; it may give him a general if spasmodic support. But it is always looking for occasions to differ from him, and it never feels so really comfortable as when it has found such an occasion for difference."

President Kennedy, with his record of 14 years' service in the House and the Senate and his profound knowledge of history, is well aware of this. Consequently he won't be surprised when the honeymoon ends and the fireworks begin.

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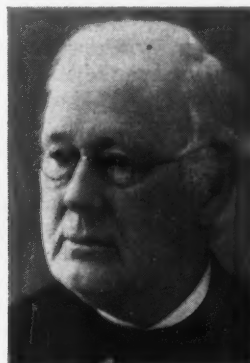
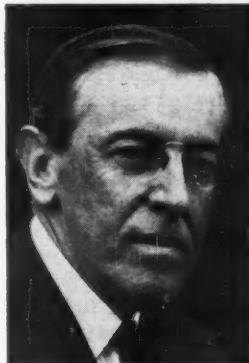
Usually this blow-up comes toward the end of the first session of the Congress that has been elected with the President. In Mr. Kennedy's case, however, it could come much sooner, and this in spite of the large reservoir of good will that exists on the Hill for the 43-year-old Chief Executive.

There are a number of practical reasons for this prospect aside from built-in antagonism.

Although there is a moderate, even conservative outlook among some of the members of the new Cabinet, Mr. Kennedy has laid down an economic program that has no charm for the conservative coalition made up of southern Democrats and northern Republicans.

The members of this coalition, which is a loose and unofficial thing, don't like the "pragmatic liberal-

CULVER SERVICE



Woodrow Wilson said "no force can withstand the President." Sen. Hoar said Senate should

ism" tag that is applied to many of the Kennedy measures.

And they boil when they hear talk, as they did from one of the Kennedy task forces, that the President be given discretionary tax powers.

By all surface indications, President Kennedy has fat majorities on Capitol Hill. Senate Democrats, with a majority of 65 to 35 in the new Congress, suffered a net loss of only one in the 1960 election. In the House, however, the Democrats lost a score

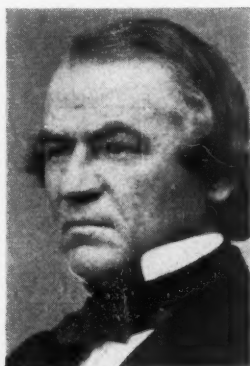
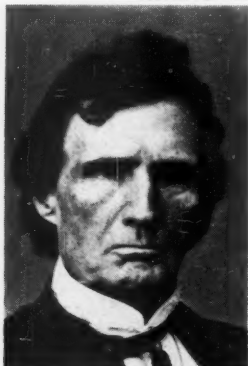
## TRENDS: WASHINGTON MOOD

of seats, leaving the party-line division 262 to 175 in their favor.

With a little old-fashioned party discipline, realistically applied, the Democratic chieftains may have enough votes to put through the Kennedy program. But there is likely to be a close call on some of the more controversial measures.

One thing in Mr. Kennedy's favor is his skill as a politician. This is nothing less than brilliant. He is prepared to go over the heads of the lawmakers to

CULVER SERVICE



*Thaddeus Stevens (left) told Congress, "Andrew Johnson must learn that he is your servant"*

the people whenever he thinks it may be necessary. One way he proposes to do this is to hold nighttime press conferences which will be carried live on television.

When Woodrow Wilson was a college professor, and long before he moved into the White House, he described the role of the President as an expounder of public opinion in these words:

"His is the only national voice in affairs. Let him once win the admiration and confidence of the country, and no other single force can withstand him, no combination of forces will easily overpower him.

"His position takes the imagination of the country. He is the representative of no constituency, but of the whole people. When he speaks in his true character, he speaks for no special interest. If he rightly interpret the national thought and boldly insist upon it, he is irresistible; and the country never feels the zest for action so much as when its President is of such insight and caliber."

President Kennedy is, of course, familiar with this passage from Wilson's writings, and can be expected to act upon it if he finds himself in a tug-of-war with Congress. He is fully prepared to be not only Chief Executive, Commander-in-Chief, Chief Diplomat, but Chief Legislator.

This is a role that would have seemed alien and outrageous to legislators in earlier times in American history, who thought that a President should

be merely an agent of Congress. Representative Thaddeus Stevens of Pennsylvania, a powerful voice in Congress in the Reconstruction Era, put it more baldly:

"Andrew Johnson," the fiery Stevens told his colleagues, "must learn that he is your servant."

Later on, around the turn of the century, old Sen. George F. Hoar of Massachusetts raised an outcry simply because a House member enlisted the support of the President to help get a bill through the Senate.

"There is a constitutional method by which the President conveys his approbation or disapproval of bills," said Senator Hoar. "It is nobody's business to start arranging with the President what the Senate shall do. We are an independent body."

Hardly anybody thinks it strange or out of line with the Constitution these days when a President meets at the White House once a week with his party leaders in Congress to work out strategy for a legislative program.

The Republicans lack the cohesion they once had as the Eighty-seventh Congress moves into its second month. Rep. Joseph W. Martin of Massachusetts, once the G. O. P. leader of the House, says that President Kennedy should be given a chance to lay down his proposals. Rep. Charles A. Halleck of Indiana, now the Republican leader and of a scrappier nature, says he will not engage in "obstruction, just to obstruct." But he also says that he intends to fight "irresponsible spending" and to try to keep the Kennedy Administration from "taking the corners too fast."

Former President Eisenhower had what was relatively a long honeymoon with Congress. When criticism began, many of his admirers were pained and shocked.

President Eisenhower appeared to be pained and shocked, too, because he had made up his mind at the outset to try to get along with both Republicans and Democrats in Congress.

President Kennedy, a tough and realistic pro, expects criticism to start coming his way in time, but he hopes that it will come from the Republicans, not his own Democrats.

He recognizes that in a democracy a strong opposition is a good thing.

Edmund Burke, the great English statesman, once said: "He that wrestles with us strengthens our nerves and sharpens our skill. Our antagonist is our helper."

The Republicans surely will fulfill their obligation and wrestle with the Kennedy Administration. They are already planning for the 1962 congressional elections and the 1964 presidential battle.

President Kennedy naturally hopes for a second term. We have had Chief Executives who were content with four years in the White House—Rutherford B. Hayes, for example—but they are not now listed among the great ones. Mr. Kennedy is of a different breed.

Fiercely ambitious, both for his country and himself, he campaigned last year under a banner which read, "A time for greatness."



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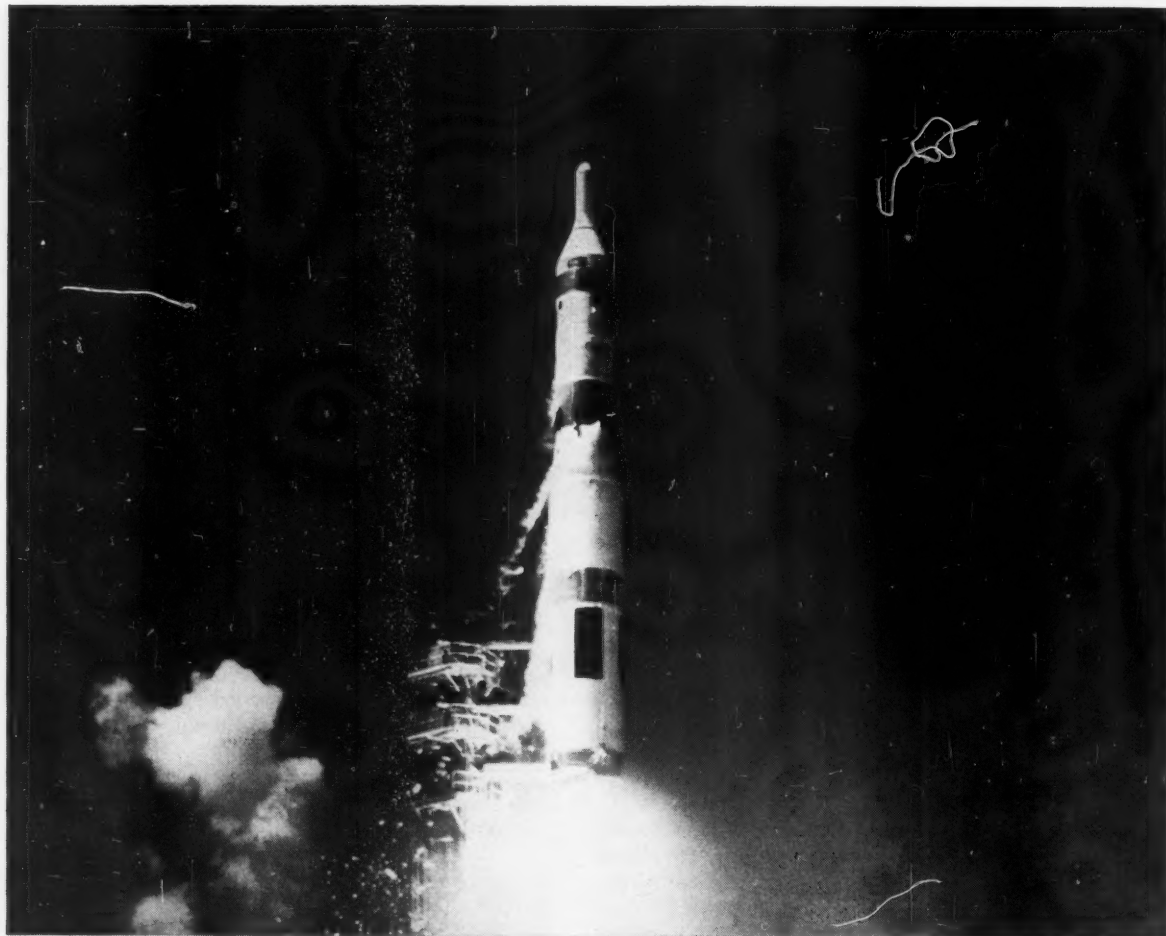
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# TRENDS: THE STATE OF THE NATION

## Foreign relations begin at home

BY FELIX MORLEY

THE IMAGE OF AMERICA, so much discussed during the election campaign, can never have photographic accuracy. Like every other people, Americans possess individuality, differing widely one from another. It would be difficult to project a composite image even of the half-dozen business associates with whom one lunched yesterday. To do so for 170 million of us is obviously impossible.

Nevertheless, despite the wide range of variation, a people as such do possess some common characteristics which identify them both for and from others. Because of this, cartoonists are able to portray a nation by a standardized symbolic figure, such as Uncle Sam, no matter how much that caricature may differ from anyone we actually know.

Thus today, 15 centuries after the complete collapse of Rome, a movie director will have no difficulty in selecting an actor whom we will recognize as the dominant Roman type. He may not be agreeable, but we may be quite sure that he will be portrayed as competent, brave and disciplined.

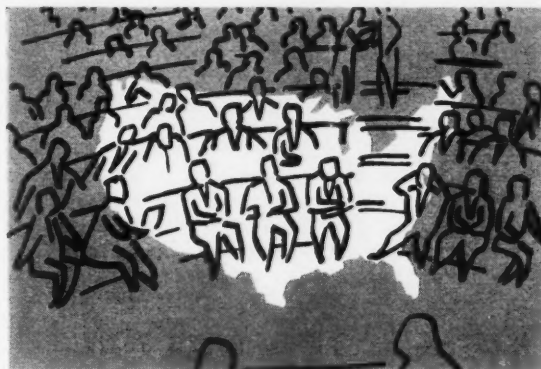
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A moment's reflection will show that by the image of a country we mean not how its ordinary citizens behave in routine living, but rather how its governmental leaders act in times of crisis. Winston Churchill, during the crucial period of the war, projected a picture of a dauntless Britain, while Adolf Hitler was simultaneously making triumphant Germany seem abominable. Man for man, our reason tells us, the ordinary German soldier was throughout as brave and decent as his British opponent. But contrast in the character of leadership permeated down to color the latter as admirable, the former despicable.

The more that power is concentrated in centralized government, therefore, the more vivid, though not more accurate, is the image of its people conveyed to the outside world. Maximum imagery is reached in the personal dictatorship, when all his subjects can be visualized in the pattern of El Supremo. So far as the Germans have common characteristics they are probably much the same now as 20 years ago.

But today we welcome them as allies—not because they have changed but because they are rid of the ruthless tyranny that abased them.

As the Eighty-seventh Congress begins to hit its stride, this matter of the national image deserves reconsideration. For, although it was argued at length by the Presidential candidates, it is really the Con-



*Congress, representing both states and people, portrays the United States at home and abroad*

gress that has the matter in its keeping. In this country, though we do not always appreciate the fact, it is the Congress, much more than the Executive, which truly represents us, both to ourselves and to the outside world.

This representation, indeed, is twofold. In the House of Representatives, as the name itself reveals, the people as a whole have their democratically chosen spokesmen. In the Senate, owing its name to respect for Roman political thought, the states as such are represented. It shows that, while we are all Americans, we are also to be regarded as Virginians, Californians, Minnesotans and so forth. Thus, the dual citizenship of our federal republic is maintained. Thus are the interests and customs of the localities protected against any centralized dictation, yet also

## TRENDS: STATE OF THE NATION

harmonized with those of the country as a whole in the consideration of national laws binding alike on all the people and on the semisovereign governments of their states.

The President, on the other hand, is not supposed to be essentially representative, either of the locality from which he comes or of the people as a whole. Though this important point tends to be forgotten, it is actually emphasized in the title. The suggestion that the office be called "President of the American People" was never even discussed by the Founding Fathers. Intentionally it was named "President of the United States." The office was not to be the embodiment of a people, like a European monarch, but of the federal union as a political organization.



The indirect election of the President, by the Electoral College, also illustrates his nonrepresentative position. So does the fact that, as in the case of President Kennedy, he may be chosen by an actual minority of the popular vote. The Presidential office, of course, is one of great dignity and importance. But it was never designed to reflect the image of the nation, at any particular moment, this being seen as the function of the doubly representative Congress.

The point is brought out clearly in *The Federalist*, which emphasizes that if the Congress deems a President unworthy it can impeach him. "The Executive," says Hamilton, "should be in a situation to dare to act his own opinion with vigor and decision." (No. 71.) On the other hand: "In the legislature, promptitude of decision is oftener an evil than a benefit." (No. 70.) Within the law-making branch of government, it is persuasively argued, all shades of opinion should find free expression and every reasonable criticism should be fairly considered before adoption of a statute. Once the law is adopted, however, it should be firmly enforced by the executive arm regardless of its popularity.

It is the Congress, in other words, that out of varying interests, desires and aspirations slowly but steadily grinds out a moving picture of national purpose, which may be called "the image of America." The President, though he may be both determined and popular, does not establish that image. He may have sketched the outline in the first place and he must project it, once defined. But the actual creation is the inescapable function of the Congress. It is that body which literally "represents" the American people, to themselves and for others.



The same point is emphasized by pertinent illustration. Half a century ago Americans who were forming an image of their country overseas were, in overwhelming majority, private citizens. Those abroad on governmental missions were relatively a mere handful, for the most part the diplomatic staffs of embassies and consulates.

Today, this is greatly changed. Tourists, to be sure,

have increased. But there has been far greater proportional increase in official missions of every conceivable variety, to say nothing of tens of thousands of the military garrisoned, often with their families, in all the nations with which we are now allied. Today it is those on the public payroll who are most instrumental in forming the image of America abroad. And it is formed the more sharply because of the intimate contacts now necessarily established between foreigners and Americans working with them.

The tourist, now as heretofore, is a transient who does not merge in the domestic life of the country he is visiting. The official, on the other hand, is sent overseas primarily to consult, cooperate and associate with foreigners. More than most of us realize, he even has their livelihood in his hands.

This is brought out by the monthly reports of the congressional Joint Committee on Reduction of Non-Essential Federal Expenditures. At the end of 1960, these show, there was a virtual army of "foreign nationals working for U. S. agencies overseas." The number in West Germany alone was then 81,000; in Japan more than 58,000; in France 22,500, with thousands more in various other countries. To these must be added the horde of domestic servants, a form of help which even a minor bureaucrat on a mission abroad is able to afford.

Consequently there is now, in all noncommunist countries, a far closer personal relationship between Americans and foreigners than used to be the case. As a result, an image of America has crystallized abroad as never before. And it is disturbing that this image seems to have deteriorated as it has become more official in character. Certainly there have always been some crude and offensive American tourists, probably more in the past than now. But on the whole the "Innocents Abroad," as Mark Twain called them, were both liked and respected. "The Ugly American" is a phenomenon that has come in as our representation in other countries has moved over from free choice to an assignment basis.

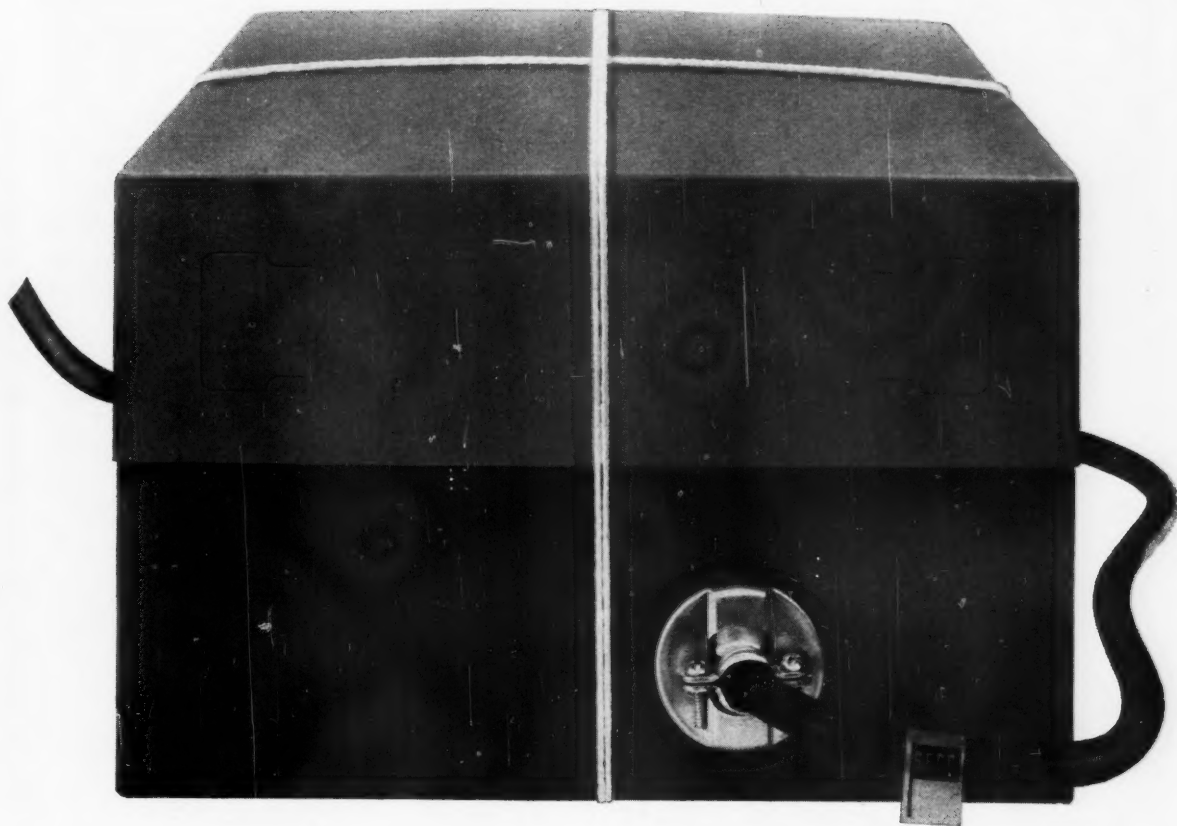


How the American official in other countries behaves, in the conduct of his duties, is, of course, primarily a matter of personality. But what he is doing there is a matter of governmental policy, tracing back in every instance to some Act of Congress. It is important that the executive agents be carefully selected, on grounds of character and courteousness, as well as on those of technical competence. More fundamental, however, is the nature and desirability of the executive agent's task abroad. What he is doing, in other countries, is most instrumental in forming the image of America there. The manner in which he does it is a reflection of himself.

When the Founding Fathers gave Congress power to determine and supervise national policy, they were thinking of good government for Americans, not of what other people might think of us. The greater objective, however, includes the lesser.

Only if the new Congress permits a further deterioration of fundamental principles at home will the image of America abroad, in necessary consequence, also deteriorate.

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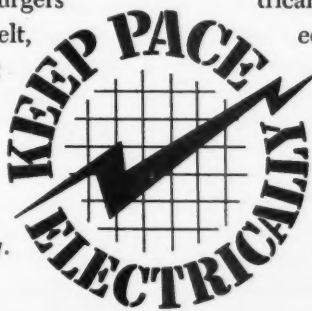
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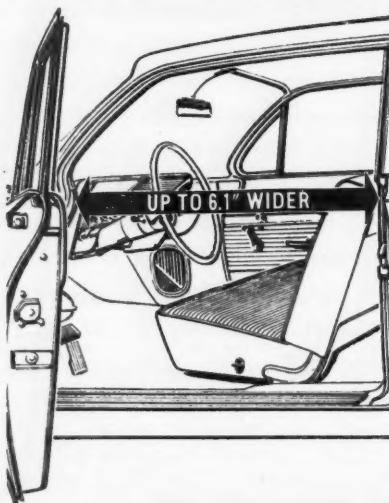




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# WHITE HOUSE PLANS WAGE-PRICE INTERVENTION

How Kennedy Administration may influence trends which will affect your business

GET READY to share with outsiders many big decisions on prices and wages which will influence your profits and the future of your business.

The Kennedy Administration is planning to intervene in important business decisions which affect the national economy. It will act for the most part through executive orders and persuasion, without new legislative authority which might be hard to get from this Congress.

Federal intervention is most likely to influence wage negotiations coming up in the automobile industry, and could also have a bearing on prices. Three-year labor contracts will expire at the end of August.

Intervention may also come in trucking, shipping, aircraft and other important industries where wages and other contract terms will be discussed this year.

Decisions in these situations are bound to affect most businesses. They may interfere with the functioning of the free market which has made this country the most productive in the world.

Walter P. Reuther, president of the United Automobile Workers and an ardent Kennedy booster, has consistently sought government help when he faced tough going in bar-

gaining with automobile manufacturers. Under previous Democratic administrations he usually succeeded.

It is apparent from the sales outlook for automobiles that Mr. Reuther will run into stiff resistance again this year, as he did in 1958, if he revives his demand for profit-sharing as well as higher wages and fringe benefits. The union suspects, too, that the industry may have some demands of its own in the form of work-rule changes to cut costs.

It is not yet decided exactly how the new Administration will bring its influence to bear on private economic decisions. But you can get a good idea of what may come by listening to what the President's

closest advisers and their associates have been urging.

It adds up to the greatest peacetime attempt to regiment prices, wages and union-management bargaining since the Blue Eagle recovery days of the early 1930's.

## **What's back of drive**

The underlying concept seems to be that the federal government must assert its influence to protect the public interest when prices and wages are being determined in basic industries, whether or not there is any dispute over them.

President Kennedy's advisers believe that he has considerable authority, even without new legislation, to take many of the steps he contemplates in the labor-manage-



“Ahead is greatest attempt at peacetime regimentation since the 1930's”

## WHITE HOUSE PLANS WAGE-PRICE INTERVENTION *continued*

ment and other fields. The President himself said a year ago before the National Press Club that, if elected, he would exercise the fullest powers of his office—"all that are specified and some that are not"—and would initiate action as well as form study groups.

His advisers point to the many fact-finding boards which President Truman appointed after the war to investigate major labor disputes and recommend settlements.

Mr. Truman avoided use of the Taft-Hartley labor law and, in asking the boards to make recommendations, did what he could not have done under the federal labor statute.

The late Sen. Robert A. Taft, co-author of the law, admitted that President Truman had authority to appoint the boards, but didn't think he should have done it.

President Kennedy's advisers also say that he does not need specific authority, for instance, to appoint a group of citizens to examine a problem and to advise him or make recommendations for a solution.

The crux of whether legal authority to act is required seems to hinge largely on whether the government resorts to compulsion and seeks to enforce cooperation and acceptance of its findings or views.

As long as the President relies on voluntary cooperation to ascer-

tain views and facts and on the power of persuasion or public opinion to get results, there is little that he cannot do without specific powers, these advisers say.

Steps the new Administration is being urged to take fall into three groups:

1. Formulating policies and setting standards to guide employers and unions in pattern-setting industries when determining wages and prices.

2. Making it compulsory, by means of legislation, for each industry in which a labor dispute might affect the national welfare—such as basic steel, automobiles, coal, shipping—to set up permanent machinery for resolving any dispute which might lead to a strike.

3. Setting up a National Council of Labor-Management Advisers, with equal representation from management, unions and the public, to recommend "bold and imaginative" programs to encourage economic growth and be of other service.

Most of the ideas for government action are highly controversial and have been criticized by some economists, business leaders and others. Let's examine some of them:

### **Standards setting**

The concept that it is paramount to our economic welfare to achieve price stability, and that wage stand-

ards must be set to help achieve it, has been expressed by Prof. J. Kenneth Galbraith, Harvard economist and an early Kennedy adviser.

It is based on the premise that we are going to have reasonably full employment and that we must have strong measures to avoid inflation.

Professor Galbraith's view is that it is not enough for the President simply to urge restraint on the part of both management and unions in our pattern-setting industries. He must set the standards against which to measure restraint.

Thinking in the same vein, Walter W. Heller, new chairman of the President's Council of Economic Advisers, has said that he favors a public review board to examine price and wage decisions of major companies.

"This instrument is needed," he told the Joint Economic Committee in the last Congress, "not only when the public interest is jeopardized by a long and costly strike, but when it is jeopardized by excessively generous wage bargains, the cost of which is passed on to the consuming public in higher administered prices."

Dr. Paul A. Samuelson, who headed Mr. Kennedy's pre-inaugural task force on economic conditions, concluded that fiscal and monetary policies may not be sufficient to cope with the tendency of wages and prices to rise.

"What may then be needed," the Massachusetts Institute of Technology economics professor advised the President, "are new approaches to the problem of productivity, wages and price formation." He suggested government influence just short of direct wage-price controls.

Government interference with prices and wages has been attacked by the United States Chamber of Commerce as an unwise interference with the free market operation.

"Who is presumptuous enough to say he knows the correct structure of relative prices at any moment?" Chamber economists testified before the Senate Subcommittee on Antitrust and Monopoly.

"Economic decision-making processes are essentially forward-looking," they pointed out. "While past experience in the form of cost and other business records may help, the decision-maker must still make



**Government influence will bear more heavily on the setting of pattern wages and prices**



UPI PHOTO

President Kennedy and his advisers want to make more use of White House powers to influence private decisions. Chief Economic Adviser Walter Heller (above with President) favors board of review



WIDE WORLD

Labor Secretary Arthur Goldberg (right) wants a Labor-Management Council to advise President Kennedy on new programs to help workers and unions and to intervene early in critical labor disputes

his decisions as to output, prices, investment and the like on subjective estimates of the future—growth of markets, impact of prices on sales, probable cost conditions, etc.”

Setting up a committee of management, union and public representatives to develop national policies with respect to economic stability, the use of productivity as a measure for wage increases, and other economic problems is advocated by David L. Cole.

Mr. Cole was an adviser to the then Senator Kennedy during the Senate debates on the Landrum-Griffin labor reform law, passed in 1959. He is also a leading arbitrator, mediator and former director of the Federal Mediation and Conciliation Service.

“We are beyond the bread-and-butter stuff in collective bargaining,” Mr. Cole told a NATION’S BUSINESS editor. “Now collective bargaining in key industries often involves the public welfare, and it

is a question whether negotiators on both sides are capable of fulfilling the larger responsibilities in the public interest.”

Public policy has to be spelled out on the bargaining problems of the day, and the vehicle for doing it could be a national tripartite policy-making committee, Mr. Cole believes.

The committee would make known the problems that are of particular concern to the country at a given time. For example: Is the problem inflation or deflation? Are wage increases running ahead of productivity increases and thus contributing to inflation? Is the current problem unemployment or labor shortage?

The committee would then develop policies to guide companies and unions in trying to conform their economic decisions to the needs of the country.

Mr. Cole’s views were conveyed to Senator Kennedy at the time the future President was seeking ideas

for coping with the steel dispute which rocked the country with a 116-day strike in that industry during 1959.

Argument against a national wage policy, particularly one which ties wages to productivity, is voiced by Albert Rees, associate professor of economics at the University of Chicago.

This policy would freeze existing wage differentials and seriously affect the allocation of labor, Mr. Rees points out.

It may be necessary occasionally for the government to participate in a wage settlement in the event of a national emergency situation, Mr. Rees believes, but those occasions should be rarer than they have been in the past.

He warns that government participation in settling emergency disputes is not likely to put restraint on wage increases.

“In such situations the overriding interest of the government is in (continued on page 86)



# EXECUTIVE SKILLS YOU WILL NEED MOST

This survey of America's top decision-makers picks these five abilities as vital for future

FIVE KEY SKILLS will be needed by executives to solve the business problems of the 1960's.

This is the conclusion of a survey of America's top business decision-makers and thinkers. NATION'S BUSINESS asked selected presidents of the nation's largest companies, deans of business schools and management consultants to cite "the single most important skill that will be needed by business executives in the 1960's." The survey also asked participants why a particular skill was chosen and how it could be acquired.

Some of the chief executives, deans and consultants picked time-honored administrative functions. Others pinpointed essentially new skills that modern management will use.

In choosing the most important executive skills, the business thinkers and doers necessarily brought into sharper focus the problems and challenges ahead for business. Among them are rapid changes in technology, intense competition, a shortage of executive manpower and broader social and political relations for business.

Though more than a score of different abilities, characteristics and talents were listed as being most important, they can be divided into five categories.

Here are the categories into which most of the selected skills fall:

1. Ability to be flexible and adapt to accelerated change.
2. Ability to be imaginative and to innovate.
3. Proficiency in controlling and reducing expenses.
4. Ability to mobilize and motivate men.
5. Skill in coordinating and correlating forces within and outside of your company.

## **Adapting to change**

"This will be the era of change," predicts John R. Rhamstine, president of Corn Products Company. He picks "sensitivity to change" as the most-needed executive skill for the future.

"Executives during the 1960's will have to develop their ability to recognize change quickly. When we look back at change it often seems to have been quick and clear, but when we are in the middle of a period of change, it is sometimes so subtle and shifting that we fail to recognize its true import until we may have fallen too far behind," he notes.

"Our customers' needs and preferences will change; so will our processes, our procedures, our jobs and therefore the kind of training people must have. If all of us are able to perceive these changes early, identify them properly, and act promptly, we will ensure the success of our own businesses. More than that, industry as a whole





Presidents of largest corporations, educators and consultants say executives in the 1960's must:

"Synchronize for maximum performance"

"Get by with reduced profits"

"Recognize change quickly"

"Do more political thinking"

"Find 44 per cent more executives"

"Maintain an open door and open mind"

"Know how to deal with complexity"

"Weed out what is no longer true."

will be able to stimulate as well as react to change and thus continue to be an effective servant of the public."

The president of one of the country's largest tobacco companies uses the word "versatility" to describe what he considers the most important skill. He says that the "challenge of the 1960's will strain many companies to the utmost. We expect fast-moving changes in our industry—further automation in the factories, electronic data processing in the offices, new product developments and technological breakthroughs. All of these will make the decision-making process even more difficult and proper timing paramount.

"The businessman who is most sensitive to these changes and to their meaning and effect on his responsibilities—who can shift his company's gears quickly and effectively to match the changing times—will score the highest."

"The ability to adapt to change" is also selected by Dean M. M. Hargrove of the College of Business Administration, University of Tulsa.

"Empirical knowledge" says Dean Hargrove, "has been the mainstay of executives in past years, but with so many innovations converging on him, the modern executive is often unable to find good answers from his storage bin of past experiences. Also, dependence on experience alone causes a man to look backward. It tends to block change. Should an executive not adapt himself to change, his firm stands to lose out competitively."

William A. Steele, president of Wheeling Steel Corporation, chooses "flexibility" as the most-needed skill. "Skill in moving fast, in making adaptations, in changing patterns of thought," will be required, he says.

A. S. Glossbrenner, president of The Youngstown Sheet and Tube Company, says: "Because of the almost kaleidoscopic change that we will face from month to month, all of us must be able to 'roll with the punches,' if you call that a skill."

Dean Paul Garner of the School of Business Administration, University of Alabama, sees the need for meeting change on a broad basis. He defines the most important skill as "adjustment to changes in the social and political framework in which business operates as an institution in our society."

Ways to achieve the ability to meet changes are suggested by Dean Gaines M. Rogers of the School of Business Administration, Wake Forest College. He lists a thorough understanding of our economic order and comprehension of the principles of administration underlying the decision-making process as necessary. Frequent high-level seminars, possibly using some help from the academic community, can be useful, he believes.

As part of the process of adapting to change, he adds, "a genuine desire to compete must be somehow inculcated in personnel."

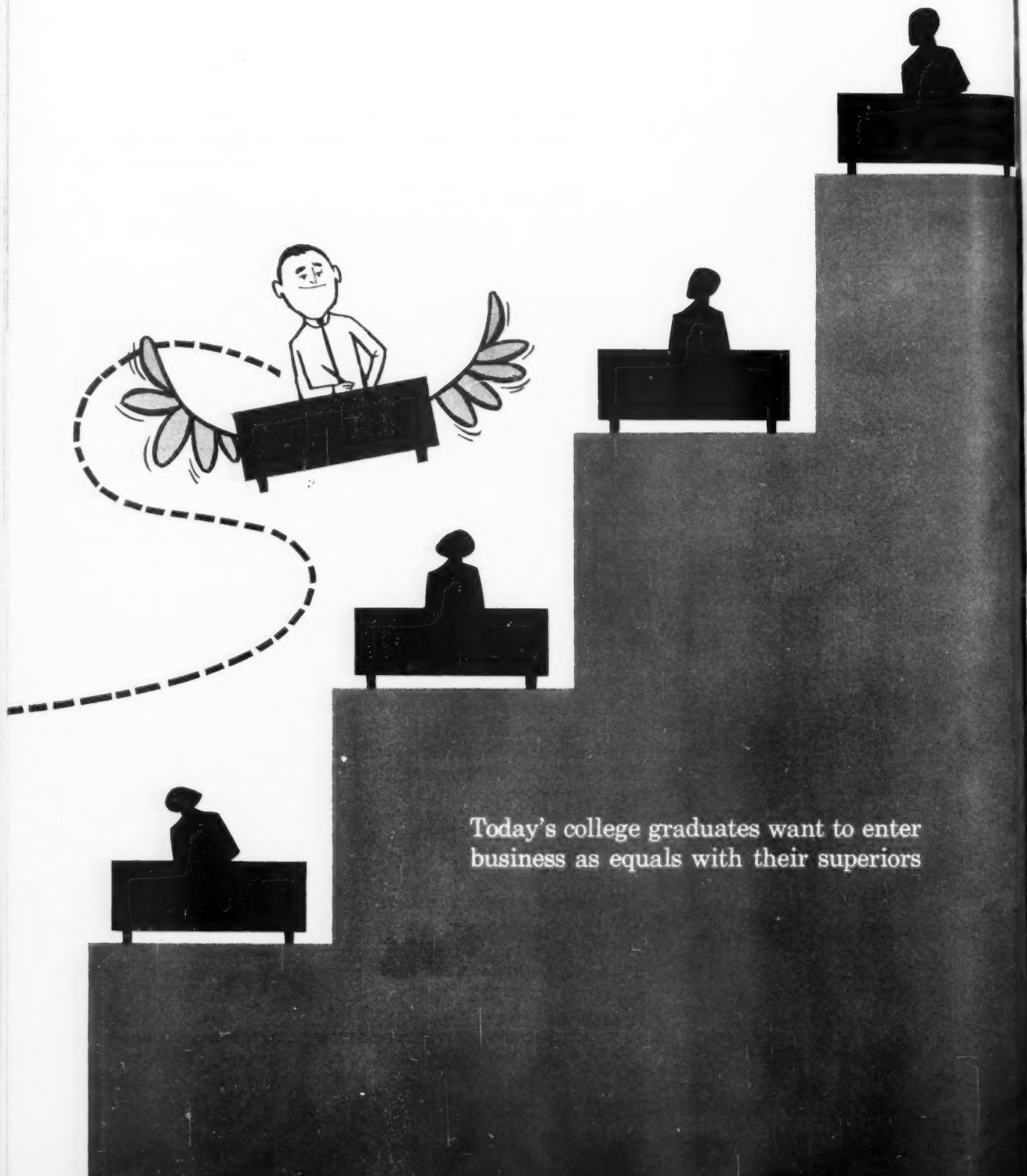
Within the general category of adapting to change, planning and predictive abilities were frequently mentioned as vital needs.

C. M. Brown, president of Allied Chemical Corporation, declared that the challenges and opportunities that confront American business in a rapidly changing world compel executives to give long-range planning highest priority.

"The insistent pace of technology for some time has dictated long-range planning in the research and development areas. Similar future planning to guide and coordinate

(continued on page 72)

# HOW TO



Today's college graduates want to enter  
business as equals with their superiors

# TEACH YOUNG MEN TO WORK

Business faces a new challenge—converting poorly prepared youths into mature managers

A WAVE of young problem employees is now entering the work force on all levels, from unskilled laborer to junior executive.

Business faces a crisis in orienting and motivating these new employees.

Young people now being hired and those who will take jobs in the next few years have lofty and often unrealistic occupational goals and, in many instances, an ignorance of the world of business.

Moreover, the youngsters' attitudes toward business and the job, toward authority and controls suggest that management has a long way to go to win youth to its cause and to build effective managers out of its new recruits.

In the article which follows, *NATION'S BUSINESS* probes the problems presented by the college graduates in management's ranks. It will tell how you can meet these problems.

By following the five steps it outlines, you can determine the best potential managers among your recruits and train them to do the jobs for which they were hired.

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THE TYPICAL college graduate is ill prepared for the realities of a business career.

This lack of adequate preparation is causing serious concern to those who hire and train today's graduates, according to top-level company officials recently interviewed by *NATION'S BUSINESS*.

The reason is that the major source of management replacements will come from the 17 million college graduates of the next decade.

Here are examples of comments from executives who are appraising these young people:

"Born and raised as equals, today's young men want to assume their places in business as equals with their superiors."

"Because the rod was spared too often, youths entering business are unduly frightened by authority, resentful of being corrected and can't stand to be humiliated."

"Love for hard work, for total mastery of a skill or function . . . is basically foreign to their nature."

These men do not necessarily blame the new gen-

eration for its deficiencies and are quick to recognize its good points—which are numerous.

Today's young people are polished in manners and appearance, impatient to get ahead, and well educated. They excel in the social skills needed for group living and are grounded in other skills as well.

But they are less well prepared to handle responsibility than previous generations of college youths. Moreover, they lack the inner gyroscope of their predecessors.

Businessmen need to understand this and to act quickly, not only to cope with the present problem but to prevent it from continuing.

## **How problem started**

In the past, parents, teachers and child counselors were regarded as best able to determine what was good for children. But these authorities often knew the least about what business life demanded.

Because parents wanted the best for their children—everything they had not had—today's young graduates have high expectations about the rewards of business rather than the sacrifices necessary for success. This shows up most acutely in their inability to handle authority, their unrealistic expectation of a fast, smooth rise to success and security and their inadequate sense of responsibility.

A great many young, new managers seem to know just how much they can get by with without losing the benefits they feel are due them. They work up to the boss's expectations but never surpass them.

Because child-rearing experts advanced the idea that gentle persuasion is more effective than the palm of the hand, the acceptance of higher authority that is necessary in business confuses and antagonizes them.

If any of these people—parents, teachers or counselors—had been conscious of the problems they were creating for future employers, as well as for young people, they might have anticipated the present scene in which new young managers are overly preoccupied with the question, "What is there in it for me, boss?"

If the situation is to be corrected, the executives questioned by *NATION'S BUSINESS* agree, business must begin to reach back (continued on page 48)

## FORCES MAKING BUSINESS FUTURE

FIRST OF A SERIES

# 1

# HERE'S SHAPE OF COMING BOOM

BY S. CLARK BEISE, PRESIDENT, BANK OF AMERICA

You can prepare now  
for the new wave  
of growth these trends  
will produce

AMERICA STANDS at the open door of a great period of economic growth.

Looking beyond the current problems of business, the next big wave of investment for general expansion will come around mid-decade—or sooner, if the anticipated upsurge in consumption manifests itself earlier.

In the next few years investment expenditures in cost-reducing facilities may be expected to lead consumption in the nation's economy. Public investments can also be expected to expand.

Most economic observers find their vision blurs badly beyond six months. Vision remains obscured until you look at some more distant horizon. Then broader influences at

work in our economy are discernible.

We can be fairly sure that, by fiscal policy, regulation, or suasion, the government will play an active role in the economy during the next three years.

Changes in the pattern and perhaps the amount of defense spending will be felt before the end of this period. We also will see increasing attention paid to problems of urban renewal, which promises to be of special significance to downtown businesses and to the far-flung construction and building supply industries.

We are taking our commitment to education with growing seriousness.

The cost of education, which in the main lies outside the private sector of the economy, will take a growing amount of the public's money.

Although this development is desirable, it diverts resources from private sources, and its burden will be felt both by individual citizens and business.

However, most of our decisions will continue to be private ones—reflecting private responses to market potentials as perceived by businessmen.

We know that business currently is undergoing an adjustment of undetermined magnitude and duration. Looking ahead, we also know that, by the middle or late 1960's, the economy will experience substantial growth through a simultaneous advance in net household formations and the rate of new entries into the labor force.

The beginning surge in the rates of labor force growth, family formations, and demand for goods—all of which stem from the growing up of our war babies—will be felt during the next few years.

Although this surge will gain greater force in the middle or latter part of the decade, its advance waves will be evident in the earlier period as well.

A widening circle of industries will be called upon to fill the needs of this maturing generation as its members shift from blue jeans to



autos, furniture, and the other accoutrements of independent life.

These will be low-income, high-demand years for young families. They will bargain sharply to stretch their resources. The compact car and the small rented apartment should find ready markets.

The changing tastes of our nation can be observed in the trend which has seen services become an increasingly important factor in our national production. We have raised our accepted standards of medical care. We are prepared to spend more on recreation and travel.

The opportunities in these fields are apparent—and will be exploited.

It also appears that sellers of goods who cater to the convenience of the public will profit from a resulting increase in sales.

But whether we speak of goods or services, it is apparent that the public is demanding a wider selection and higher quality. During much of the postwar period a market has existed in which standard products were mass-marketed on the basis of high obsolescence.

Attention to quality or fundamental diversity received less emphasis than changes in styling.

Evidence is mounting that the public has tired of this trend. The public is demanding long-wearing, trouble-free goods tailored more exactly to its needs.

Likewise, the service industries are finding that, as our labor supply becomes more plentiful, the public is in a position to demand a higher level of performance.

Indications are that these standards will be maintained in the 1960's.

We are living in an increasingly  
(continued on page 89)

S. Clark Beise is known as a forecaster and interpreter of business trends. In banking for 40 years, he is a member of the Business Advisory Council of the Commerce Department and holds posts in other banking and government groups



FUGENE ANTHONY—BLACK STAR

# WHAT TO EXPECT FROM PUMP-PRIMING

If government acts to speed a business upturn four courses are open. Here's how they compare

THE NEW Administration and Congress have been greeted by a flood of proposals for speeding recovery from the business slowdown.

These proposals fall generally into five classes.

One of these is monetary policy. But changes in this field would involve Federal Reserve Board action or action in coordination with the Federal Reserve Board. Proposed antirecession actions which would require action only by the Administration or by Congress include:

1. Tax cuts.
2. Special programs.
3. Social programs.
4. Public works.

Before we rush into any of these, both government and people need to consider two questions:

First: What is the nature of this recession?

Second: Is it severe enough to warrant any kind of government pump-priming?

Today's recession has been marked by an increase in unemployment and a decline in business profits. It has not involved an appreciable decline in the total volume of business done.

When both the labor force and productivity are growing at good rates, as is occurring now, consumption must grow rapidly to sustain

prosperity. If consumption does not increase fast enough to match the increase in the labor force and the increased productivity, unemployment will rise. If consumption increases three per cent a year while the labor force grows 1.5 per cent and productivity two per cent, for a total increased output of 3.5 per cent, unemployment will increase.

This, in effect, has been happening since 1955.

But consumption's failure to match the growing productivity capacity is due to different reasons at different times.

In 1954 it was due in large part to a decline in government purchases. Federal spending, which had accounted for one sixth of total consumption in 1953, dropped more than 20 per cent in a year.

In 1958 business firms were responsible for the decline in consumption. Business expenditures for durable equipment dropped more than 23 per cent between late 1957 and late 1958. Outlays for inventories also declined.

Obviously government action which might have helped in 1954 might not have helped in 1958.

Today governments as a whole have been increasing their consumption of goods and services. For the first time in peacetime, federal, state and local spending is exceeding an

annual rate of \$100 billion. Outlays for business construction are also being maintained, although inventory spending has been reduced.

Today's recession then differs from those of 1954 and 1958.

The major weakness now is consumer buying. In recent months, although total per capita income has risen slowly and individual savings are estimated to be more than eight per cent of disposable income, consumer purchases have not been rising. Surveys indicate that consumers are saving so much and spending so little for two main reasons:

1. Goods and services currently being produced are not sufficiently intriguing in terms of function and price.

2. Consumers are cautious. One family in four experienced unemployment or reduced employment in the 1958 recession. Others faced it again during and after the steel strike. Still others are experiencing it now, or fear that they may. Confidence in the economy as a whole and in his own prospects must be restored before the average customer will spend at previous rates.

If customers were buying more, business would be employing more people, thereby adding to consumer purchases and encouraging further business investment with still fur-

*(continued on page 76)*

# STEPS GOVERNMENT COULD TAKE TO STIMULATE U.S. BUSINESS

## 1

**LAUNCH SPECIAL PROGRAMS.** Could involve public housing, urban renewal, other activities. Problem: Programs are slow acting.

## 2

**MOVE IN SOCIAL FIELDS.** U.S. might increase unemployment benefits. This would put money into circulation, but would provide jobs only indirectly.

## 3

**CREATE PUBLIC WORKS.** These don't provide needed jobs until recovery is under way. Exception is the highway program.

## 4

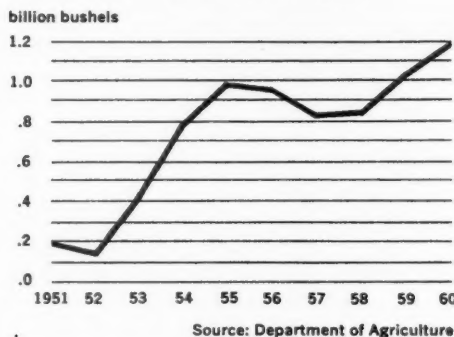
**CUT TAXES.** Would boost sales, stimulate business confidence and orders. Cut in '54 increased profits (chart), sparked business spending.



An authoritative report by the staff of the

# HOW'S BUSINESS? today's outlook

10-year growth of wheat stockpile



## AGRICULTURE

Don't count on a broad, new farm program from this session of Congress. This doesn't mean, however, that farm programs will continue unchanged. Action can be expected primarily under three approaches:

1. Changes which require no new legislation. The Secretary of Agriculture has authority to raise the support price on certain commodities, to launch a food stamp plan to help needy persons, and to step up surplus disposal programs overseas.

2. Extension of laws due to expire this year. These include the Sugar Control Act, the school lunch program and the Mexican farm labor program.

3. New legislation. The wheat problem will command urgent attention. Legislators will be asked to reconsider an expanded land retirement program, resolve differences in proposals for research on uses of agricultural products, and to enact a more permanent type of program to promote exports to underdeveloped countries.

## CONSTRUCTION

Home-builders can use a new approach to hold the line on rising land costs.

The method involves working up periodic land inventory reports including information on all tracts of land suitable for residential development within a metropolitan area.

In many markets today individual building firms pay premium

land prices because their executives have only a sketchy knowledge of locations, sizes, and price ranges of the potential sites. With knowledge from an inventory, builders can select from among greater numbers of tracts.

Although the cost of a continuing inventory may be prohibitive to a single building firm, the work can be conducted by a local organization and the cost spread among many participants.

In Indianapolis, a survey by the Metropolitan Planning Commission turned up more than 4,000 acres (in plots of as much as 23 acres—enough for 35 year's growth at present rates—at the edges of the city).

## CREDIT & FINANCE

Depressed area legislation, to a great extent, is wrapped up in both credit and finance. How will community credit be arranged? How will the program be paid for? Answers to these and other questions must be carefully thought out.

Legislation already introduced in the Eighty-seventh Congress calls for sizable federal funds to be lent or granted to communities with chronic labor surpluses. The programs specify loans for private projects; construction of commercial and industrial buildings, including tourist facilities, on long-term credit; loans and grants to modernize public facilities.

There would be money for subsistence payments during periods of training or retraining for indi-

viduals who are not entitled to or have exhausted their unemployment insurance.

No one knows exactly how much federal money would be needed to attempt the job the bills propose. Also lacking are statistics showing how great is the need for federal assistance.

## DISTRIBUTION

Pressured by problems of expense control and competition, businessmen are seeking ways to put a brighter bloom on sales activity.

To spur demand, intimate knowledge of consumer needs is a must. This calls for better understanding of who makes up the market, how to reach them best, and how to motivate them.

To meet this challenge, many businessmen are trying new merchandising methods or adapting standard ones. Advertising agencies are sharpening their tools. Manufacturers are aiding with constant efforts in new product research.

Consumer services and conveniences are being emphasized. Self-selection, prepackaging and preticketing are increasing.

Retailers, according to one trade source, are taking up offbeat enterprises—kiddy rides, dry cleaning and laundry services, insurance selling.

Business-Education Days, sponsored by local chambers of commerce, are improving customer relationships.



# Chamber of Commerce of the United States

## FOREIGN TRADE

A permanent U. S. Trade Center to be established in London this spring will afford new opportunities for the sale of United States goods abroad.

This showcase for American goods, the first of its kind, will display and sell American products the year around. Display facilities will be available at no cost to the exhibitor, although exhibiting firms will be expected to underwrite packing, shipping and insurance costs to the London display point.

A series of exhibit themes featuring different lines of American goods will be worked out in cooperation with trade association and industry groups. The first is expected to be a housewares show opening June 1.

This is the latest of several major projects undertaken by the U. S. Department of Commerce and other government agencies in cooperation with private organizations and businessmen as part of the National Export Expansion Program.

## GOVERNMENT SPENDING

Congress did not wait for President Eisenhower's budget to begin consideration of 1962 appropriations. Several subcommittees of the House Appropriations Committee began hearings on the less controversial appropriations shortly after the House was organized.

Feeling on Capitol Hill is that the big spending battles will center around items outside of the budget, such as housing and depressed areas legislation. Proponents of such legislation are expected to resort to backdoor methods of financing which circumvent the normal appropriations process.

In his final budget message, President Eisenhower reiterated his opposition to financing federal programs outside the appropriations process. Whether the new Administration shares this view is not known. Some of the strongest opponents of backdoor spending are members of the new President's party. They have considerable seniority in Congress.

## LABOR

Businessmen can look for new procedures for handling labor dis-

putes that create national emergencies. These procedures are now included in Title II of the Taft-Hartley Act. The new Administration appears to favor a dual approach. One would be a broadening of Title II to give the President an arsenal of weapons to deal with national emergency disputes.

The other is the use of management-labor conferences to prevent national emergencies from arising.

Suggestions include: tripartite groups on industrial lines to consider problems of particular industries (broader tripartite groups to consider problems of general application to business will be advanced) and ad hoc conferences to consider specific questions as they arise. It is clear that the new Administration will depart from the nonintervention policy of the previous Administration. (For details see page 35.)

## NATURAL RESOURCES

A bright development has been taking place in the forest products industries. More and more waste sawmill residues are going into other wood-based products, primarily for pulp and paper. This trend is well under way in the South and West, but just starting in New England and the Lake States.

Nationally, the use of chipped mill residues for pulpwood has grown from almost zero in 1944 to 7 million cords in 1960. One half of western pulpwood requirements now comes from residues. In the South their use in pulp and paper production has quadrupled since 1953.

This is conservation-wise use—in the truest sense. It represents effective utilization of the nation's timber resources, efficiency of operation and reduction of raw material needs, of inventory and of costs.

## TAXATION

Tax activities this year divide into three categories: Left-overs from the Eighty-sixth Congress; taxes due to expire in 1961; legislation to implement the Democratic platform. Some sure action areas:

Business expenses: But only after the Treasury and Joint Committee on Internal Revenue Taxation complete their studies.

Dividend credit: Will be raked over the coals again.

Withholding of dividends and interest at source: Depends on the present campaign by the Internal Revenue Service to get complete reporting by taxpayers.

Self-employed retirement: This has been reintroduced.

Legislative expenses: Under present court rulings a man cannot lobby to save his own business and claim the expenses for tax purposes.

Revision of subchapters C, J & K covering corporate reorganizations, estates and partnerships. Chances for action are good.

Forced divestitures: Legislation will depend on outcome of pending court action.

Extender legislation: Temporary taxes due to expire likely will be extended.

Depletion allowances: Much debate—little action.

Depreciation reform: President's top economic adviser, Walter Heller, advocates selective depreciation reform to stimulate depressed areas.

Over-all tax reform: Herlong-Baker bills are focal point.

## TRANSPORTATION

Federal regulatory agency reform is expected to receive major attention in the new Administration, with the recent Landis Report playing a major role.

The report cites a pressing need for the agencies and bureaus involved to develop broad policy guidelines to meet the issues facing the regulated industries.

It also points up the lack of policy coordination between federal agencies.

The report criticizes past administration and urges improved quality in Presidential appointments and agency staffs.

Immediate action is certain at least on the short-range objectives of the report. This is likely to include speeding up, and making less cumbersome, the regulatory processes—especially those involving rate revisions, coordination of the government's promotional activities in transportation, and increasing uniformity in the national transportation policy.

Executive actions should not be designed to influence the agencies' handling of their substantive duties. For these, the rules are laid down by Congress.

## YOUNG MEN

*continued from page 41*

into the home, school, and community to insure that young people emerge with the qualities that business requires.

Businessmen are not ordinarily superior in their wisdom about child-rearing. One company president admitted that the typical businessman does not know his family well. He devotes most of his time and energy to making a living.

Another asserted, "We quietly went along with the progressives because we frankly did not see a connection between the diapers and the desk." Businessmen were concerned with adults; parents and teachers concerned with children. Neither seemed concerned enough with the other's problems and needs.

But all those interviewed agreed that from now on businessmen must assume more seriously the responsibilities of parenthood, spend more time with their own growing children, and—if necessary—become familiar with the relevant literature. If a "get tough and haul 'em back to the woodshed" attitude is necessary, and there is considerable indication that the firm approach is returning, then businessmen should be informed enough to give this their attention. No longer can we ignore family life if we want to maintain a healthy and prosperous business system.

Although it is too much to expect businessmen to become child-rearing experts, they know better than others what they want in a mature, responsible adult. "At least we should," said one president. "If we don't, we should hold a national conference and sit down and agree upon what we do need."

The point is that the qualities needed must be communicated to parents, teachers, and child-rearing authorities and, in a spirit of mutual exchange, a comprehensive approach to this crucial problem of bringing up future executives must be worked out.

The problem now is to develop emerging adults who are mature both outwardly and inwardly. This may seem ideal, but business has reached a crisis where the ideal has become an absolute necessity.

Business might well sponsor research on child and executive development theories, study more precisely the patterns of developing responsible adults. Business gives millions for research in science and technology but little to promote re-

search on child-raising problems. Yet children represent the most basic resource of business for the future.

In addition, business must seek out youngsters in college and high school who show unusual ability to take effective and proper action and assume responsibility. Principals and teachers could be asked to recommend their more mature youth for summer employment, not on some routine clerical job, but on projects that allow them to become aware of what is required of men in business.

One executive who advocates a close alliance with college and high school officials found a boy who was in his senior year in high school. The businessman assigned him to a community relations job one summer and held the reins tightly until the young man started making some of his own decisions. They were only fair decisions to begin with, but they improved. Each summer, all through college, this boy returned. Today he is an assistant vice president and will likely become a vice president before he is 30.

Such a program will do much to meet the problem of the future.

As for meeting the immediate problem, the businessmen interviewed suggest five steps that will help business make boys into men.

- ▶ Use prop bosses.
- ▶ Use pace-setters.
- ▶ Use terminal programs.
- ▶ Use training programs for superiors.
- ▶ Use top executive sponsorship.

### **Prop bosses**

The modern youth experiences two basic shocks. One is entry into this world at birth. The other is entry into the business world at adulthood. It takes a childhood for many to get over the trauma of birth, and it takes many the best part of adulthood to become productively adjusted to a career.

Typically, however, this shock period lasts about five years after the first serious entry into a business organization. These are the most important five years for both the company and the individual. How a young man comes through this period, the experiences he is provided, and the attitudes he learns to express determine greatly his future as an executive.

To begin with, promising talent must not be recklessly distributed to bosses who are not good models of what the company wants in its

best men. Too often young people are assigned to old-timers who are cynical or disrespectful of youth or to youthful superiors who are themselves immature. One of the most common errors is to let well educated young men become lost in a maze of routine, detailed activity. This presupposes that youth will prove itself in spite of the obstacles. But few have this old-fashioned stick-to-it-iveness.

Bosses should be intimately aware of the qualities present and lacking in today's youth. They should know how to salve wounded egos, hold their protégés' hands when they feel left out, and give encouraging assurances when things get rough. They must be fair and understanding, but firm.

In a sense they will act as props to keep the neophytes upright when they are about to fall over and, when they do fall, help them back up. All of this must be done without depriving them of the failures or successes that may be needed to keep them alert and ambitious. Prop bosses will be there when they reach out, to guide but not to spoil. As one executive put it, "These kids must be accepted for what they are, but changed to what we need."

Prop-bossing calls for a real interest in youth, and no one lacking this should be given responsibility for bringing youth along.

The quality an effective prop boss needs most is an ability to detect when the youth grabs hold of the reins of responsibility. This is not difficult to see if one is looking for it. The individual begins to explore avenues that will better accomplish the desired result. He becomes involved in his work to the point of sometimes being temperamental. He is considerate of some of the more subtle characteristics of an assignment that often go unnoticed even by the boss himself.

### **Pace bosses**

Grabbing hold must be recognized when it first occurs and then reinforced by another assignment of slightly greater challenge. A few grab hold early. These are self-starters. They can be moved quickly from under prop bosses to pacers who know how to deal with greater maturity and have responsible assignments available.

One thing is certain. Once an individual grabs hold he can easily burn himself out. He can also bombard the boss with so many requests for new assignments that he will annoy the man who has no special

*(continued on page 52)*



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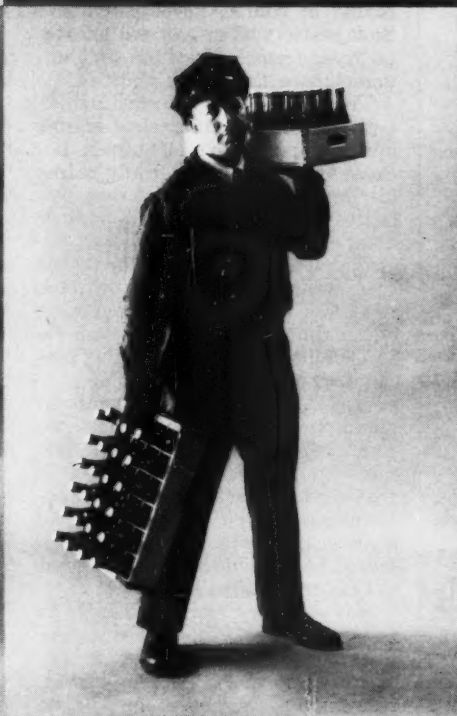
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separate bills, you pay just one fixed amount per week. He will also fully explain the complete Hertz services available to you. Call your local Hertz Truck Lease office soon or, write for booklet — "How to Get Out of The Truck Business" — to HERTZ TRUCK LEASE, 660 Madison Ave., New York 21, N. Y. Dept. E-2.

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## YOUNG MEN

*continued*

interest in training youth for responsible positions.

The pace type of boss is important because of the increasing numbers of individuals who prefer to under-work. Consequently, when executives find self-starters who need no pushing they are tempted to exploit their energy.

In the past few years business has evolved the concept that one over-worked individual is more valuable than two underworked individuals.

This concept is productive—provided the self-starter is carefully controlled. A hungry man should not be used to excess.

### Terminal programs

Just as crucial is the problem of the slow starter who needs all of five years and sometimes more to get squared around for hard work. Many, of course, never catch fire. Slow starters often rely too heavily on their formal education and underestimate their own abilities.

The big problem is to distinguish between the potential slow starter and the potential self-starter, because until the latter firmly seizes his lines of authority and responsibility, he may appear to be just another slow starter.

One reason for this difficulty is that most jobs are part of work processes which have no beginning and ending points within which responsibility can be directly pinpointed.

The individual who shows no inclination to grab hold must be rotated into assignments whose terminal points are definitely seen so that some concrete measure of performance can be made. These assignments are not to pace the individual because his abilities have not yet become recognized.

Rather, they are designed to motivate him. After a few tries like this, together with adequate exposure to several good prop bosses, if he still does not begin to spurt, he probably will have to be employed at the level sustained by his greatest productivity and interest until he shows greater maturity.

Then there is the false starter. Most want to move up, so many will go through all kinds of acts to show that they are loyal, sincere, aggressive, and responsible. Unlike the slow starters, when given a special assignment, false starters will throw themselves into it.

They usually do a bang-up job

and reach out for greater challenges. But then something unexpected happens. They get sloppy, overconfident, or loose with their responsibilities. At this time—about three or four years out of college—they meet their first major test of character and stamina. They make a mistake too big to be dismissed easily by either bosses or themselves. The false starters show in such rough going a soft center that can't spring back. They face a desperate crisis and their bosses a period of disillusionment. While seeking vast amounts of authority, they are unable to measure up fully to limited responsibilities.

They become breath-holders at promotion time, excessively indulgent toward others' misfortunes and fugitively critical of superiors. They feel the world has failed them.

But, as one astute businessman observes, "It is a shame that they first meet their major test of maturity after they have entered business, become married, started a family, and saddled themselves with debt. This would break almost anyone."

### Boss training

Of all of these suggestions, none is more important than the need to equip executives already in responsible positions with the skills and insights necessary to develop talented youth into fully responsible adults. Businessmen agree that they have not made this crucial responsibility clear.

Too many men in business have no appreciation of what changes in the home, school, and community have done to alter the prime stock from which top-level talent is eventually bred. Formal training programs are needed to alert bosses to their responsibility. A special effort must be made to seek out responsible superiors who have an interest in youth.

### Top sponsorship

Several businessmen reported their companies encourage each top executive to have at least one promising graduate in tow at all times.

However, they observed that making boys into men is a rare skill. Some do better than others. But all top executives must adopt a junior executive and no doubt more will be able to do this better if they are informed and trained properly.

No agreement seems to exist on whether those to be exposed to corporate brass should be self-starters or slow starters. Some executives believe that self-starters will come

## YOUNG MEN

continued

along faultlessly anyway if paced well by lower level supervisors and that only the slow starters should be injected with top-drawer adrenalin. However, others cite experiences to show that this would put the slow starters under pressure which they might not be ready to handle.

A good case was made for assigning to top executives those few young men who show in their first two years an unusual ability to handle authority and hold themselves personally accountable for results. But this would require a program under which these promising individuals could be carefully studied. This would not be difficult in small companies or in large ones if some individual or group already directly concerned with managerial development would focus more attention on it.

The assignment would be to watch carefully all those individuals who, upon entering, could be classified as potential managerial stock. Those who seem to be self-starters could be assigned to more flexible positions or special projects with pace patterns worked out to assure steady upward progress. Slow starters would be assigned to prop bosses.

At any given time a bank of candidates would exist from which top executives could reliably select protégés.

Admittedly, programs now contemplated will be inadequate to do the whole job. Indeed, business has its work cut out.

The businessmen interviewed felt an unusual sense of urgency and responsibility. The cold war means competition with communism on an economic basis. World peace and freedom will be won largely by raising the standard of living in friendly and uncommitted nations through sharing of knowledge and services. For this responsibility, business cannot send boys to do a man's job. Neither can business be indifferent to the size of the boys sent to it. The support of every individual concerned with the development of child must be enlisted.

—EUGENE EMERSON JENNINGS

**REPRINTS** of "How to Teach Young Men to Work" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H Street N. W., Washington 6, D. C. Please enclose remittance.

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methods to make  
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DEMAND for fast and accurate information to meet today's intensive sales competition has led to exciting new developments in business communications.

Rapid emergence of new products, new materials and services makes it necessary for the salesman to be better informed than ever before. To service his customers and develop new accounts he must be abreast of the latest techniques in product application and development, pricing, marketing research, merchandising, display, advertising and promotion.

He must know the customer's product, business and market. He must transmit this information to his own company in concise, accurate and usable form and he must be ready to apply the information that comes to him from his headquarters.

These new demands affect not only the salesman but all of his company and customer contacts and are vital to management as a whole. Consequently, companies are revamping communication procedures up and down the line. They are:

- ▶ Taking a new look at face-to-face communications, meetings and conferences of all kinds.
- ▶ Modernizing written communications systems.
- ▶ Changing organization structures to speed the flow of specialized information.
- ▶ Developing up-to-the-minute pictures of over-all company operations, through computer systems, so that executives can readily see trends and make sharper decisions.

Now to take a more detailed look at each of these four areas:

#### **Face-to-face communications**

Face-to-face communications can be divided into three categories—the national sales meeting, the district sales meeting and informal meetings of salesmen and district managers.

**The national sales meeting.** This method of communicating with salesmen is coming under severe scrutiny.

"Sales meetings are often conducted so badly as to be ineffectual," says Porter Henry, president of Porter Henry and Company, a consulting firm specializing in sales communications and training. "I might even say they're conducted so badly that they have a negative effect on the salesmen. For example, the salesman may be criticized in a way which, to his mind, shows lack of understanding. Then he grows resentful and takes refuge behind a wall of silence. Result: a blockage of communications."

Robert Gopel, divisional sales manager of the Koppers Company, agrees:

"Although some general sales meetings do result in increased sales, far too many are a waste of time and money."

Says Coleman Lee Finkel, vice president of James O. Rice Associates, Inc., sales training and communications specialists:

"The medicine man, drum-beating type of extrava-

ganza which often passes for a national sales meeting is not only expensive but the long-range effect on the salesman's productivity is extremely limited.

"The general sales meeting has inherent advantages for the company that no other means of communication can achieve. Yet, many organizations follow a traditional, unvarying pattern of meeting structure and approach, despite the yearly shifts in sales problems and salesmen's needs. We are finding that sales managements are spending more time in planning either through their own staffs or in consultation with outside specialists. Companies are looking for more enduring results than are possible through the pep rally."

John Sargent, of Cresap, McCormick and Paget, agrees that today's national sales meetings are far from what they might be but he maintains that they can have many virtues if properly conducted.

"Well handled, the national sales meeting can be an extremely valuable part of the over-all sales communications picture," he says. "For the fellow out there on the end of the line, it's an important means of contact with men who would otherwise be nothing but names on the company's stationery. It's important in terms of morale for this fellow to see the plant and meet the top executives. He can also get the facts and share the burden of common day-to-day problems with men from other parts of the country."

National sales meetings, Mr. Sargent says, can be employed effectively in introducing new products on a nationwide basis, transmitting new selling techniques, discussing problems of national advertising, and dealing with aspects of product application which are of interest to salesmen the country over.

Many marketing executives agree that national sales meetings have not been as effective as they would like. Most have continued to hold them for inspiration and morale purposes. More and more companies are beginning to realize, however, that this is not enough and are seeking a more purposeful format. Much of the new thinking is being developed along fairly specific lines. To begin with, here are four basic rules:

*Know what you want to do.* "Too few sales meetings are planned in terms of what management needs to accomplish," says Mr. Finkel. "The first rule should be: Have current information on the problem you need to deal with. Then lay out your meeting accordingly."

*Determine the objective of each meeting.* Decide exactly what you want the salesmen to think or do as a result of this meeting that they might not think or do without it.

*Tell the salesmen what they want to know.* Once the over-all objective has been outlined, make sure that the program will be conceived around the needs of the audience rather than what top management thinks the meeting should cover. In marketing, the basic principle is to develop your product or service

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## SPEED IN SELLING

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out of the needs of the customer. In a sales meeting the salesmen are the customers. How do you find out what the salesmen want? Conduct a market survey of the sales organization.

*Allow time for planning and organization.* Often sales meetings are planned on the back of an envelope as a busy executive flies to the scene. At least two months should be allowed to organize properly, some authorities say.

Going even further in the direction of specifics, many companies are finding that the formats which are proving especially successful in the case of the district sales meeting—perhaps the principal key to sales communications effectiveness—are also highly effective in national sales meetings.

**District sales meetings.** Excellent formats for the district sales meetings have been developed by several consulting specialists and some of the sales leaders among corporations which have recognized the importance of the problem. From their procedures, a composite system of planning, coordinating and following up a district sales meeting has been derived. Begin by applying the rules spelled out for national meetings, then proceed with the following:

*Outline a meeting.* Most well planned meetings supply three elements: motivation, information and training.

First, convince the salesmen that they will benefit personally by carrying out your program.

Second, give the men whatever knowledge they may need to attain your objective. Make it clear and interesting. Visual aids help.

Third, make sure the men know how to do what you want them to do. The best form of sales training is on-the-job practice with a good coach. Since this can't be done in meetings, use one or all of the following methods:

*Simulated practice devices.* These include practice sales presentations, role-playing, talk-back films.

*Participation devices.* Under this come discussions which either free-wheel or use a film, tape or case history as a springboard; buzz sessions; team assignments; and other techniques.

Some of the devices listed are sophisticated training methods. The

district manager should be taught how to use them.

If properly employed, these devices are eagerly seized upon by the salesmen as a means of increasing their proficiency. Hugh Robertson, of Porter Henry and Company, tells this story:

A printing firm was holding a national sales meeting in which the salesmen were role-playing a sales presentation. The meeting was scheduled to end at noon for golf. However, at 11:30 one of the veterans asked if they could cancel the golf session to go on with the role-playing. Amazed, the sales manager agreed and the role-playing session ran until 6:15 that night.

Whatever combination of methods is used, get as much audience participation as possible. If a man has to listen passively to speech after speech, he has no effective learning device which enables him to grasp the material for actual application. To gain full effect of whatever learning devices are used, follow up with quizzes, discussions or evaluation sheets to make sure the message has been understood.

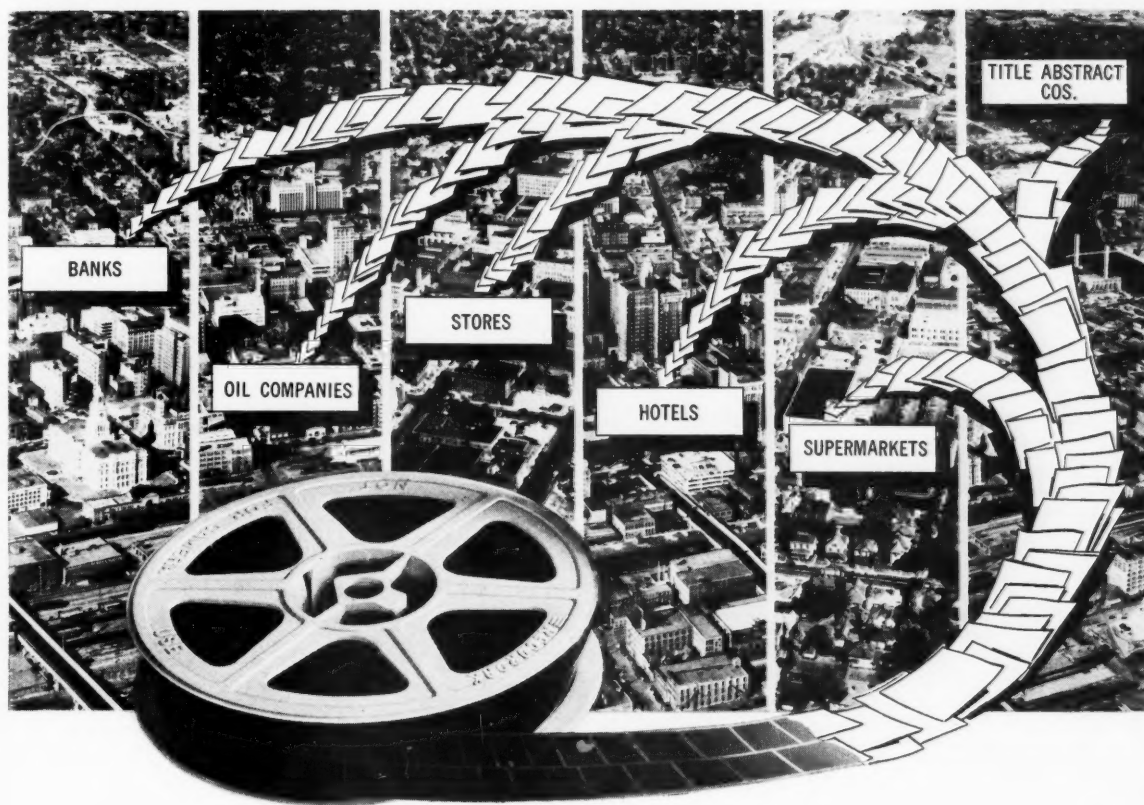
*Use follow-up tools.* To make a sales meeting fully effective, a definite sequence of follow-up steps is required.

One of these follow-up steps is the use of assignments. Bruce Rundlett, sales training director of Coca-Cola, says no meeting is complete until each man has received a specific assignment—giving customer names, sales objectives, and other information. Surveying salesmen to learn their reaction also helps.

"Companies which have developed a means of collecting objective reports, including the participants' opinions of sales meetings, have usually been startled at the replies," says Mr. Finkel. "But such a survey, disconcerting though it may be, at least points out areas of failure and provides a basis for subsequent meetings."

After the meeting, go out with each man and help him apply the training you've given him. Also, well referenced reading material elaborating on vital points covered at the meeting will help salesmen make the best use of what they have seen and heard. Then, give both salesmen and manager a full realization of their joint effort by reviewing their year's accomplishments at the next meeting.

**Informal meetings.** A major part of sales communications consists of oral transmission between manager and salesmen individually or in



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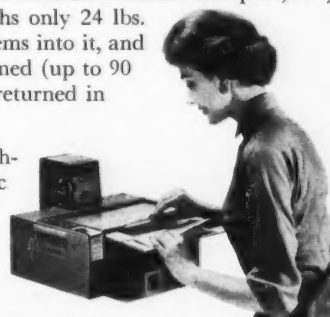
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*Outline a meeting.* Most well planned meetings supply three elements: motivation, information and training.

First, convince the salesmen that they will benefit personally by carrying out your program.

Second, give the men whatever knowledge they may need to attain your objective. Make it clear and interesting. Visual aids help.

Third, make sure the men know how to do what you want them to do. The best form of sales training is on-the-job practice with a good coach. Since this can't be done in meetings, use one or all of the following methods:

*Simulated practice devices.* These include practice sales presentations, role-playing, talk-back films.

*Participation devices.* Under this come discussions which either free-wheel or use a film, tape or case history as a springboard; buzz sessions; team assignments; and other techniques.

Some of the devices listed are sophisticated training methods. The

district manager should be taught how to use them.

If properly employed, these devices are eagerly seized upon by the salesmen as a means of increasing their proficiency. Hugh Robertson, of Porter Henry and Company, tells this story:

A printing firm was holding a national sales meeting in which the salesmen were role-playing a sales presentation. The meeting was scheduled to end at noon for golf. However, at 11:30 one of the veterans asked if they could cancel the golf session to go on with the role-playing. Amazed, the sales manager agreed and the role-playing session ran until 6:15 that night.

Whatever combination of methods is used, get as much audience participation as possible. If a man has to listen passively to speech after speech, he has no effective learning device which enables him to grasp the material for actual application. To gain full effect of whatever learning devices are used, follow up with quizzes, discussions or evaluation sheets to make sure the message has been understood.

*Use follow-up tools.* To make a sales meeting fully effective, a definite sequence of follow-up steps is required.

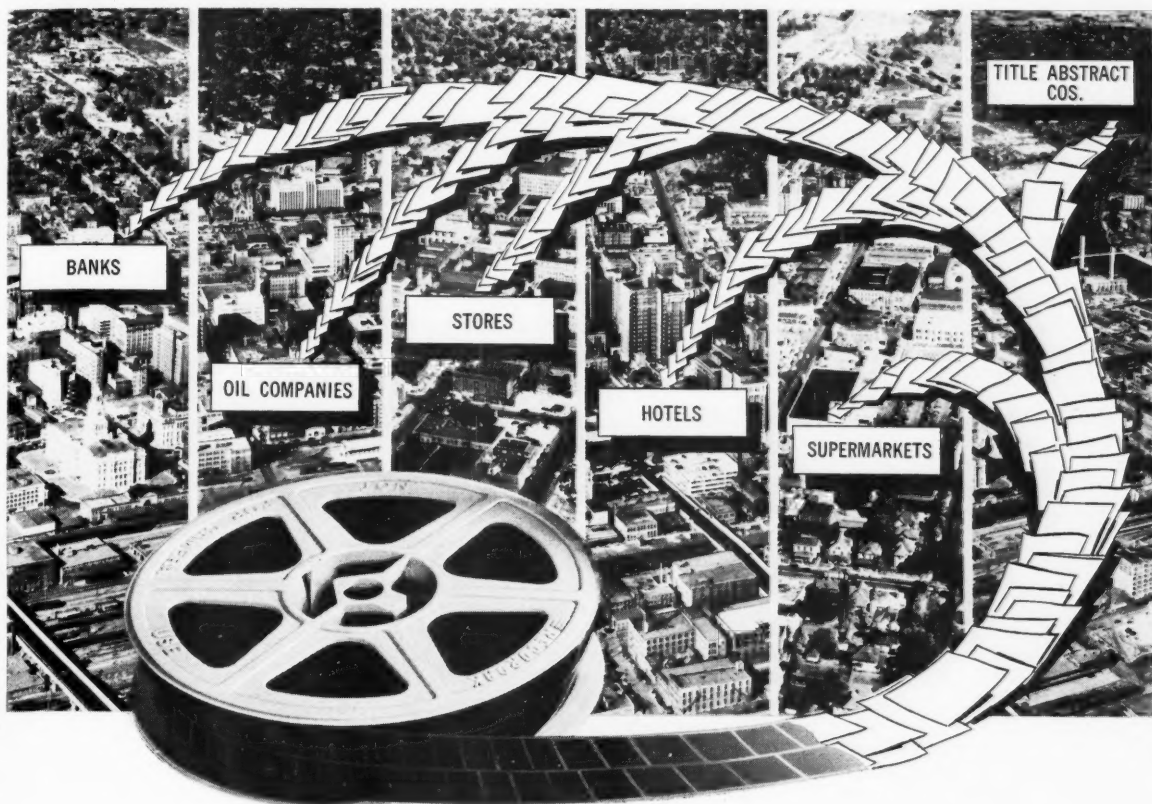
One of these follow-up steps is the use of assignments. Bruce Rundlett, sales training director of Coca-Cola, says no meeting is complete until each man has received a specific assignment—giving customer names, sales objectives, and other information. Surveying salesmen to learn their reaction also helps.

"Companies which have developed a means of collecting objective reports, including the participants' opinions of sales meetings, have usually been startled at the replies," says Mr. Finkel. "But such a survey, disconcerting though it may be, at least points out areas of failure and provides a basis for subsequent meetings."

After the meeting, go out with each man and help him apply the training you've given him. Also, well referenced reading material elaborating on vital points covered at the meeting will help salesmen make the best use of what they have seen and heard. Then, give both salesmen and manager a full realization of their joint effort by reviewing their year's accomplishments at the next meeting.

**Informal meetings.** A major part of sales communications consists of oral transmission between manager and salesmen individually or in





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## SPEED IN SELLING

*continued*

groups. Some of this transmission is pure information; some comes under the heading of training. For the most part, it consists of personal conferences about the conduct of daily operations.

The district manager, as the key man in these face-to-face relationships, needs indoctrination in how to move his men to action.

"The old idea was that you were supposed to give the salesman a hot pep talk that would make him shoot off his chair and go out to make 99 calls," says Walter Brunauer, sales training manager for the Lily Tulip Cup Company. "For example, the district manager might declaim: 'Joe, on this new distribution pattern of ours, you're doing a fine job, but—' Then he would lace into his man with hot criticism.

"Today the district manager would start out by giving the salesman credit for enough intelligence to deal with the situation. For example, he might say 'Charlie, are you satisfied with the kind of distribution you've got?'

"Charlie would probably say, 'Well, Fred, not exactly,' and present his own suggestions. Here you get the fellow personally wrapped up in the situation so he comes up with his own solution. From then on it becomes a mutual development of objectives and plans." To apply this principle of two-way communication in an exchange of viewpoints, it is necessary to keep the salesman abreast of marketing principles, the customer's problems and his own product. More intelligent, skillful and sophisticated salesmen are needed. So is a well rounded and fast-working communications system.

### Written communication

Task forces studying the flow of the written word usually find salesmen overwhelmed with bulletins, sales newsletters and complaints from the company.

They learn that a salesman needs help in sorting out the material, and determining how to use it. He also needs help in selecting information he gets in the field so that he can tell the right people in the home office what they want to know—and no more.

"Today's blizzard of communications creates the necessity for a number of new expedients," says George Butler of St. Thomas Associates, New York-based manage-

ment consultants. "Some salesmen are trying to solve the problem by rapid-reading courses and improved scanning methods. However, the basic solution rests on deciding what, when and how much to communicate—then eliminating everything that is unnecessary. The necessary is usually confined to matters that require action."

Efforts to improve this situation have brought about such things as "communications by exception." That is, when an operation is thoroughly planned and programed, extraneous communications can be eliminated. Instead of a lot of detailed reports, the word goes out: "Everything proceeding according to plan."

In many companies, this eliminates the call report.

Staff executives fail to realize that the salesman's morale suffers from being in the field too long all by himself. You've got to feed him information and let him know his reports and efforts are appreciated.

If the salesman gets no satisfaction from the company, he says, "I didn't get any answer last time, why should I write again?" The stage is set for another communications breakdown.

*The communications coordinator.* Some companies are using communications coordinators. Among other things, these men work out systems to help the salesman catalog the material he receives. They also develop reporting systems adapted to expedite the flow of information to and from the field. The coordinator can hasten the flow between the proper parties.

*New sales manual.* Many communications revisions involve re-vamping the sales manual. In the past, some companies have filled their manuals with company histories, pictures of buildings, and other extraneous material. Actually, the salesman needs to know such basic things as:

- ▶ How to plan his time.
- ▶ How to present the product to the prospect.
- ▶ How to manage his territory.
- ▶ How to sell most effectively.
- ▶ How to service the customer after the sale.

### Changing organization structures

Often poor communication is poor organization. The organization must fit the company's communication and management needs. This often means departing from the traditional organization chart.

Communications sometimes are slowed down by excessive layers of authority. A typical organization chart might stack up like this:

Vice president—marketing  
Sales manager  
Field sales manager  
Regional manager  
District manager  
Zone manager  
Territory manager  
Salesman

Many steps can be taken to get around this layering, some major, some minor and some merely contributory. The following will help:

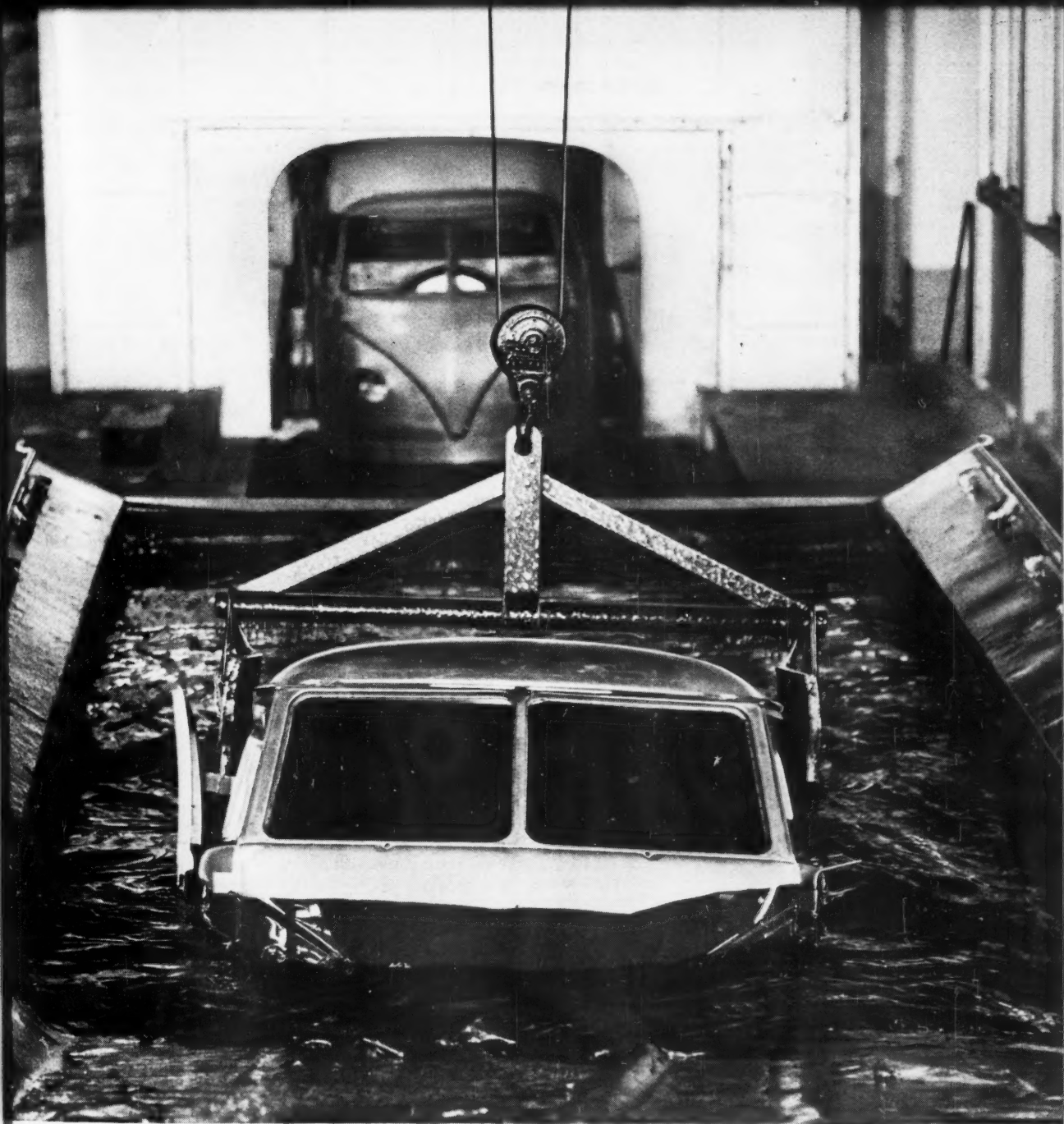
*Put more specialists in field.* In one company, demands of a multi-product line made it necessary to have five product managers reporting to the general sales manager on the company's major products. Formerly, there were five regional sales managers under the company's regional manager. Now these men have been replaced by five regional product managers to provide better specialized information closer to the distributor. This regional product manager reports to the regional manager but he also communicates on a direct line with the product manager in the home office.

*Put more specialists in headquarters:* If a salesman in the field knows there is a trained man in the home office who can understand his problems, he's more likely to communicate effectively.

*Improve grouping of activities:* In a sales organization a bad grouping of activities may derive from the self-seeking efforts of an empire-builder or grow out of historical development in a unit where many functions have become outdated. If activities are re-grouped effectively, they can be headed up by a specialist and thus stand a better chance of being favorably regarded by the salesmen.

*The integrated decision.* "We're on the threshold of a new era in communication," says C. Wilson Randle, partner in charge of management research and planning for Booz, Allen and Hamilton, management consultants. "The new concept is to assess and identify the total information requirement essential for effective decision-making. The communication and information problem can then be handled as an integrated whole. Use of computers will be paramount. Then information will be better, fresher and more complete."

"In sales, you are thus able to



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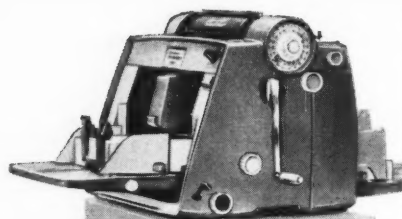
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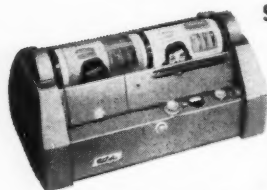
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## **SPEED IN SELLING**

*continued*

assimilate the whole market picture—what's happening in production, what the competition is doing. Then the executive makes his decision on the basis of complete and up-to-the-minute information."

William Patterson, president of United Air Lines, has a complete and accurate company report on his desk every morning—a product of his company's computer-information system. The report includes a profit and loss statement that is accurate to a fraction of one per cent. As a result, Mr. Patterson knows whether to advertise and beef up travel on the Chicago-Los Angeles run or pull in his horns as a result of a prospective equipment shortage.

"Speed is the very essence of this dramatic new communications concept," says F. Reese Brown, of Brown, Woodbury & Co., New York research and consulting firm. "Today, a really comprehensive marketing intelligence system involves the collecting, processing, integration, interpretation, dissemination and feed-back of information for decision-making purposes. But in the past, this cycle has often been so time-consuming that results were of little more than historic interest. Today, at electronic speeds, the cycle can be so rapid that information can serve for on-the-spot decision-making purposes throughout the organization."

Thus, even the most remote salesman is able to make spot decisions based on rational considerations, rather than on hunches, fragmentary evidence or one-sided information.

This means that sales strategy can be sharper on all levels and be directed at goals that represent, at any given moment, the highest attainable percentage of profit.

A growing number of companies, including Sylvania, Reynolds Metals, The Morton Salt Company, RCA and Westinghouse are developing communications systems that have these goals in mind. Take, for example, Sylvania, one of the country's principal producers of electronic products, which operates eight divisions—including plants, laboratories, sales offices and warehouses in 65 communities scattered over 25 states. A central data processing center is responsible for collecting data from operating units and transmitting these data—as rapidly as possible and in the most

useful form—to the men who must make operating decisions on the basis of the facts and figures given them.

The center is linked with plants and divisions by a 21,000-mile leased-wire network and uses a high-speed digital computer to provide data for an increasing number of departments as new marketing and operating needs arise.

A completely integrated system is not necessary, however, to take advantage of the opportunities that accrue from the ability to handle large masses of material in a hurry. A growing number of companies are using small computers for tactical market operations which take advantage of new operations research techniques.

For example, a magazine might come out with an article announcing that Seabreeze cigarettes were less likely to cause cancer. Subsequently, a lot of people might be expected to switch from other brands. With the present computer facilities for processing great masses of data in a hurry, it is now possible for operations researchers to create a brand-switching model and predict the speed with which the change will take place. With this data in hand, the makers of Seabreeze cigarettes can take marketing action which will cut losses to a minimum.

Most of the companies which go in for such tactics are employing small and relatively inexpensive computers for the purpose. Others simply take their problem to a service bureau and have the work done there.

Of all the departments in a company, the sales department is the one which stands most greatly in need of a communications system that supplies simple, thorough and up-to-the-minute information which can be thoroughly understood by all who use it. From almost any point of view, there is a rich pay-off to be realized in improving the flow of communications, not to mention an invaluable by-product in company human relations. For the salesmen will appreciate it if you save them hours of drudgery and make it possible for them to do the intelligent job of business representation that they were hired to do.

—PHILIP GUSTAFSON

**REPRINTS** of "Put Speed in Your Selling" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.



## SPECIAL LETTER

### NATION'S BUSINESS EDITORS REPORT ON: subsidies

SUBSIDIES financed by taxpayers are zooming--already take 90 cents out of every \$10 that Uncle Sam pays out.

Spending for subsidies--government aid to special economic groups--has shot up to \$7.1 billion from \$1.9 billion 10 years ago.

\* \* \*

SOARING TREND will go on.

Kennedy Administration plans big increases, new programs. It lists four subsidies as minimum goal for this Congress:

Medical care for aged, tied to social security; federal spending in depressed areas; expanded government housing programs; aid to education.

\* \* \*

U. S. BUDGET has nearly doubled in 10 years. Subsidies have grown fourfold.

In fiscal '51, subsidies accounted for only 4.5 per cent of government spending. Now they account for nine per cent.

\* \* \*

MAIN CAUSE of increase has been sharp boost in funds for farmers. Cost of agricultural programs skyrocketed from \$905 million in fiscal '51 to \$3.5 billion in '60.

What's more, Commodity Credit Corporation--which supports farm prices with loans and purchases of surplus crops--spent \$1.0 billion more than it received in '60. In '51, positions were reversed, with receipts having a \$1.1 billion margin.

Thus, farm subsidies account for \$4.7 billion of the past decade's \$5.2 billion rise in subsidy spending.

\* \* \*

SUBSIDIES which congressional Joint Economic Committee staff lists as benefiting business went from \$809 million in '51 to \$1.3 billion in '60. These figures include postal deficit on business-class mail, approximately

## SPECIAL LETTER: SUBSIDIES

\$500 million in each of the two years. Also money spent for air navigation aids, payments to air carriers, maritime subsidies and for other purposes.

\* \* \*

LABOR subsidies, largely cost of unemployment compensation and U. S. Employment Service operation, increased from \$197 million to \$324 million in period 1951 to 1960.

Other major subsidies include:

Housing and Home Finance Agency financing of public housing and urban renewal.

Defense stockpiling of critical, strategic materials.

\* \* \*

NOT INCLUDED in \$7.1 billion total: Such items as cost of veterans' benefits, aid to other countries under mutual security program, grants to states for assistance to needy.

About 150 federal programs can be classified as outright subsidies or close to it. Actual number depends on definition.

That's where trouble arises in figuring subsidy costs. Even government officials can't agree on definition. Also, it's tough to calculate cost of some subsidy-like legislation--tariffs, tax benefits and minimum wages, for example.

Sometimes, too, it's hard to tell who's being subsidized most. School lunch program helps farmer by using farm surpluses. It also subsidizes children who receive food, as well as their parents.

Joint Economic Committee staff defines subsidy as "an act by governmental unit involving either a payment, a remission of charges, or supplying commodities or services at less than cost or market price, with the intent of achieving a particular economic objective."

\* \* \*

MANY CURRENT subsidies were spawned since 1930. They aren't new in our history, though.

In 1789, First Congress of U. S. passed tariff act stipulating that goods imported in American ships have 10 per cent reduction in customs duties. Mail subsidies came in 1845.

So many subsidies followed that there are now few people who don't get money from at least one of them.

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**ARMCO** Drainage & Metal Products

# FIFTY FEDERAL PROGRAMS AID DEPRESSED AREAS

Billions go for benefits ranging from roads and contracts to food supplies

THE PRESSURE behind the top-priority drive to boost federal aid to depressed areas has hidden the fact that Uncle Sam already is channeling help to these regions through more than 50 existing programs.

The campaign to provide even more federal assistance already has produced more than two dozen bills in this session of Congress. Chief among these is a measure introduced by Democratic Sen. Paul H. Douglas of Illinois and backed by the Kennedy Administration.

The Douglas bill, as originally written, would set up an Area Redevelopment Administration and endow its administrator with broad powers. The bill provides for more than \$389 million in loans and grants to be allocated by the administrator to areas in which he determines that "substantial and persistent unemployment" exists.

The proposed \$300 million loan program would be financed through "backdoor spending," authorizing the agency to borrow from the U. S. Treasury rather than depending on congressional appropriations.

The bill's strength is indicated by the fact that it was sponsored by 44 senators. It is similar to a measure introduced by Senator Douglas in the last session, amended by the House, and then vetoed by President Eisenhower.

Under the bill, \$200 million in loans would be available to develop land and industrial facilities in depressed areas, both urban and farm. Another \$100 million in loans and \$75 million in grants would go for construction or improvement of public facilities. Also included are yearly appropriations of \$4.5 million for technical assistance and \$10 million for subsistence payments to

persons in vocational retraining programs.

Such loans and grants to depressed areas would place the federal government in competition with communities in other parts of the country which also are trying to attract new industry.

Proposals for more federal aid should be weighed in the light of the dollars going to depressed areas under existing programs.

About \$3 billion in federal public works projects are scheduled for areas of chronic unemployment during the next several years. These include construction of post offices, federal office buildings, courthouses, flood control and watershed drainage projects, sewers and water works for government installations, and other federal facilities.

More than \$683 million in federal funds is available for new highway contracts during the current fiscal year in states with major areas of chronic unemployment. This money is their share of the federal highway program.

The Federal Aviation Agency has programed approximately \$37 million for construction of airport and other aviation facilities in labor surplus areas.

Nearly \$295 million in public assistance grants was distributed by the Department of Health, Education and Welfare during the past fiscal year to states with major areas of chronic unemployment.

During a single quarter in 1960, the Department of Defense awarded \$550 million in supply, service and construction contracts to companies in areas of substantial labor surplus; the U. S. Army Engineers placed contracts for civil works totaling \$26 million, and federal civilian agencies

contracted for \$43 million in supplies. Of this \$619 million total, nearly \$387 million went to regions which are chronically distressed.

Most of the existing programs have a national scope but are particularly applicable in areas of unemployment. They include:

## **Housing and Home Finance Agency**

Business climate and available resources and facilities are vital factors in inducing companies to locate in a depressed area. Programs of the Housing and Home Finance Agency are especially helpful here.

Loans and grants are available from the Urban Renewal Administration to help prevent the spread of blight, rehabilitate areas which are on the downgrade, clear and redevelop areas which are past rehabilitation.

Other HHFA programs offer:

Matching grants to states for statewide, regional and metropolitan area planning. Such plans—which cover future land use, necessary public facilities, and long-range financing requirements—are an important factor in any attack on the problems of a distressed area.

Repayable advances to local public agencies to help finance planning for public works projects.

Long-term loans to help communities build essential public facilities—such as sewer and water projects—for which money is unavailable from other sources.

Loans, loan guarantees, and annual subsidies to local public agencies for construction of public housing for low-income families.

## **Department of Commerce**

Technical advice and guidance, based on other communities' suc-



cessful experiences, can be obtained from the Department's Office of Area Development. Information is available on how to organize an industrial development corporation, how to operate a community development program, and how to finance economic improvement projects. Advice is given on how to survey an area's potential for economic growth and how to use local resources or specialized markets to attract industry. Technical help is provided on industrial park and site planning, speculative industrial building construction, and factors influencing plant location.

The Small Business Administration offers a number of services to community groups and development companies which are working to boost employment and economic growth. Among them are:

Loans to local and state development companies to help finance most of the cost of such ventures as buying land and building new factories or expanding or converting existing plants.

Loans to small business firms when financing cannot be obtained from private lenders. These loans may supply working capital; finance construction, conversion or expansion, or finance new equipment and supplies. During one quarter of 1960, the SBA approved 67 business loans in depressed areas, totaling approximately \$4.5 million.

The federal highway program provides employment on construction projects and also roads which make an area more attractive to business. Funds are allocated to the states, which may choose to give priority in road building to sections needing an economic boost.

#### **Department of Health, Education and Welfare**

The impact of Social Security Administration programs is often great in depressed regions, where unemployment rolls are swelled and where a declining income level would otherwise place a greater public support burden on the community. The old age, survivors and disability protection program provides a continuing income for retired or disabled workers and their families.

Grants to the states are made for assistance to needy old people, dependent children, and the blind and disabled. Other grants are made for child health and welfare services. The federal government and the states now jointly finance a program of medical care for low-income persons aged 65 or older (see

"States Move Fast to Care for Aged," page 84). Adequate schools are important in attracting outside investment and new plants. Grants go to the states for vocational training programs. Research is conducted on the management of school systems and teacher training.

The Public Health Service administers grants to help communities finance construction of sewage and waste treatment works. Under the Hill-Burton program, grants are made for building hospitals, health centers, nursing homes, and rehabilitation facilities.

#### **Department of Agriculture**

Surplus foods acquired under price support or surplus removal programs are made available to the states for distribution through their public welfare programs. Cash grants and commodity donations help schools provide lunches for children. Federal funds also are available to provide milk for schools and child-care institutions.

Water is an essential requirement for industry. The Soil Conservation

Service helps depressed areas plan and finance the development of water supplies.

#### **Department of Labor**

Partial relief for the problems of depressed areas is provided by migration of unemployed workers to places where jobs are open. The Department makes available information on national and local employment trends among the country's various occupations and industries. It also conducts area skill surveys, which help an individual area find the strengths and weaknesses in its manpower situation.

Cutting across a number of departments and agencies is Defense Manpower Policy No. 4, originally issued in 1952 but used more widely in the past several years. This directive specifies certain preferential treatment by government procurement agencies for firms in labor surplus regions. All of these federal programs, and others, provide ready tools which a community can use to build up its economy and cut unemployment. **END**

## **WATCH FOR...**

### **New threat to price freedom**

Should government or the free market determine how much you charge for your products or services? Legislation before the Congress could restrict your right to set prices.

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Many of today's top managers are nearing retirement, presenting business with the knotty problem of picking successors who can best meet tomorrow's challenges. Here's advice from a leading authority on methods to use and pitfalls to avoid.


### **What the Pentagon really needs**

Defense Department reorganization will be a hot issue in Congress this year. This report outlines many reforms possible under present law and points out two major changes requiring urgent attention from the lawmakers.

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Now holding Cuba, communism works in Mexico and Latin America to fulfill the schedule set by Lenin in these words:

"First we will take eastern Europe. Next the masses of Asia. Then we shall encircle that last bastion of capitalism, the United States. We shall not have to attack. It will fall like an overripe fruit into our hands."



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## EXECUTIVE SKILLS

*continued from page 39*

the progress of all the manifold functions of a business is becoming equally essential."

"Those executives who make a practice of forward planning will be spared the consequences of surprise," points out Richard M. Paget, senior partner of Cresap, McCormick and Paget, management consultants.

"Long-range planning . . . is a systematic process which involves picking a target, plotting a course, measuring progress, correcting deviations from plan, adjusting the target according to trends, and revising plans correspondingly. Participation in planning develops skill in planning."

"Predictive ability accompanied by breadth of vision" is seen by Dean James R. McCoy of the College of Commerce and Administration, Ohio State University, as the most important combination of skills.

"The executive leader needs an effective perception of changing values, philosophies, cultures and institutions. Higher education in business exists to assist in the development of this capacity. Innate ability, coupled with a lifetime of liberal and professional learning effort, contribute to attaining this vital leadership skill," he adds.

### Innovating with imagination

Thomas J. Watson, Jr., president of International Business Machines Corp., says the most important skill that business executives will need in the 1960's is "the ability to respond to problems and challenges in dynamic new ways. They must be able to innovate—to develop and promote new philosophies, ideas, policies and procedures.

"The continued growth of business depends on the creativity of executives in seeking new approaches and solutions in the light of new knowledge and challenges. They must also instill in those under them a questioning attitude toward traditional ways of doing things for the sake of tradition alone. Those who demonstrate the ability to create and innovate will be priceless assets to any corporation," says IBM's chief executive.

A railroad president says "a high capacity of imaginative and creative thinking" is the skill that will be needed most in this decade.

"Imagination" is the choice also of A. M. Sonnabend, president of

the Hotel Corporation of America. Dean Charles C. Abbott of the Graduate School of Business Administration, University of Virginia, agrees. He cites three reasons: the increased emphasis on research the results of which have hardly begun, as yet, to show; the "shift to a consumer and service economy"; and the need for "more political thinking, both as regards domestic and foreign problems."

A top advertising executive, Norman H. Strouse, president of J. Walter Thompson Co., picks "human understanding combined with bold, imaginative leadership" as being most important.

The ability to think in fresh and nontraditional terms ranks first with E. G. Fremont, Jr., president of The Emerson Consultants, Inc., a New York consulting firm.

Innovation for change will be most important, comments consultant J. H. Euston, vice president of Business Research Corporation, Chicago. "Scientific management methods are available to the executive to assist him in this process of innovation. However, the science of business management may not be enough. Business management is more than an infant science; it is an art."

### Mobilizing and motivating men

Frederick R. Kappel, president of American Telephone and Telegraph Company, believes his number one challenge is people and the task of creating vitality among his people. He says the men most needed are self-reliant individuals.

The skill of generating vital performance is achieved by careful hiring, development and promotion and helping people make the most of their strengths, he points out.

George S. Young, chairman of the board of The Columbia Gas System, Inc., ranks as the most important skill the ability to motivate executives to manage more effectively.

"By personal example and appropriate developmental programs evolved to meet problems of the times, a [successful] manager strives constantly to lift the horizons and improve the capabilities of those whom he supervises."

The skill to select the right man for the job is what the president of one of the largest oil companies rates most important.

"This will be particularly important in the 1960's because business is more complicated, especially in areas of government and international relations. The ability to make the right selection depends



on a thorough knowledge of the requirements of the job and an understanding of the man's capabilities and attributes." He adds that his company is encouraging this development by seminars and counseling and through contacts with all segments of the organization.

The "planning and utilization of management manpower" will be the most important skill, according to C. Wilson Randle, partner in Booz, Allen & Hamilton, consultants.

"All evidences point to a critical management shortage during the next decade," Mr. Randle says. "Present top general management and functional executives tend to be grouped closely together in terms of age. The persons who will fill these management positions are located down in the management structure and are not now identified.

"In addition, business growth and the addition of new corporate functions will bring about a 44 per cent increase in the number of executives required to man our businesses. On top of this, the advanced age of the top executive group is such that some 60 per cent will retire before 1970. All of these things impose a critical management manpower planning burden on top management. Add to this the continuing divisionalization and consequent geographic dispersion of business, the growth in specialization, the opening of foreign operations, the significant advancements taking place in the art of management, and you impose dimensions of serious magnitude upon the top executive in terms of his effective use of his management resources."

Skill in motivating people will be most important, says Dean M. C. Mundell of the College of Commerce and Industry, University of Wyoming. "Motivation should not be viewed strictly from the standpoint of increased productivity, but rather the creation of a work environment which fosters the development of the latent talents and capabilities of people."

The ability to create a climate which allows subordinates to grow is also the choice of S. Vincent Wilking, vice president of Barrington and Company, Inc., a firm of management consultants. Mr. Wilking says it means "the boss must keep hands off subordinates functioning within defined bounds . . . and maintain an open door and, above all, an open mind."

#### Controlling expenses

Russell DeYoung, president of The Goodyear Tire & Rubber Com-

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## EXECUTIVE SKILLS

*continued*

pany, believes that proficiency in control and reduction of costs is the most vital skill needed for the 1960's.

"Basically," he says, "the current squeeze on profits has resulted from a combination of high costs and more intense competition, both at home and abroad.

"Greater productivity per unit cost, lower wages and fewer fringe benefits in foreign factories are the principal reasons that hundreds of imported products are sold more cheaply in the United States than comparable American-made products. Many foreign manufacturers have also automated their operations so that production costs are lower than in the United States.

"Great skill is needed throughout all industry to maintain the proper balance between the quantity of output, its quality value to the customer, and its cost of production.

"We must set standards not only on the quantity and quality of work performed but also on materials and supplies, equipment and tools, utilities and services, plant and floor space and the quality of goods produced.

"In general, it means that each of us must tighten up on efficiency. These areas of better costs, better product values and better service are all places where each of us can make a great individual contribution. We have the tools of production and the technological know-how, but our strongest asset is the loyalty and spirit of the men and women on the job."

Ernest Henderson, president of Sheraton Corporation of America, comments that companies should develop skills in the field of cost-cutting where unnecessary overhead has developed. "Our company," says the hotel executive, "is currently reducing by \$3 million its annual overhead."

He adds that skills in narrowing profit margins for products and services to produce ultimately larger sales volume can more than compensate for temporary loss of revenue.

### **Coordinating and correlating**

Another general category of skills into which many survey answers fell applied to synchronizing within a business and relating to the business the powerful forces outside the work environment.

Lee S. Bickmore, president of the National Biscuit Company, ranks the skill of "coordinating" topmost. "As our business becomes more competitive, it is imperative that all its facets, headed up by the various vice presidents as divisional managers, be properly coordinated, correlated and synchronized to get maximum performance at the highest efficiency."

Francis H. Boland, Jr., executive vice president of George Fry and Associates, New York consultants, defines the skill this way: "The capability of understanding and implementing by means of integrated administration the whole of management's separate functions, as contrasted to possession of outstanding expertise in a single or a few restricted functional areas."

He says this skill is rare and, until recently, has only infrequently been recognized as important because its direct bearing on profits has been "less demonstrable or spectacular than those of the more parochial skills, such as marketing, production and research." He adds that "the absence of or ineffective performance by management of this integrating function will be the difference between mediocre and creditable profit results."

This skill can be developed only by continuing management development, education, diligent and observant practical experience, which includes on-the-job training, he maintains.

E. L. Steiniger, president of Sinclair Oil Corporation, says the important skill will be the over-all one of supervising and managing business to make full use of new products, new methods of production and greater automation and economizing to meet competition and to get by with reduced profit rates due to higher costs and lower selling price.

"Knowing how to deal with complexity" ranks uppermost with Dean W. T. Jerome III of the College of Business Administration, Syracuse University. He points out that this involves "management of data and of time and judgment as to what requires whose attention."

Another educator, Dean Shaw Livermore of the College of Business and Public Administration, University of Arizona, sees the most important skill as "an awareness in depth of the socioeconomic environment."

Still another business school dean, Dr. Paul Noble of the College of Commerce, Ohio University, also defines the most important execu-

tive skill as an ability to relate business problems to broad social, economic and political problems.

"We are moving into an era," he says, "in which business will be pressured from many crosscurrents of social, economic, political and even religious forces. To chart a course through these pressures will be businessmen's greatest challenge."

A few participants in the survey chose communicating ability as the most important executive skill.

An electric company president elaborates on the kind of communicating that he thinks is important. He says: "Although the benefits resulting from the welfare state practices in industry may be welcome when received by the employees, we must spend more time teaching them that it requires profits to continue the benefits. They must understand what part they play and how they can contribute."

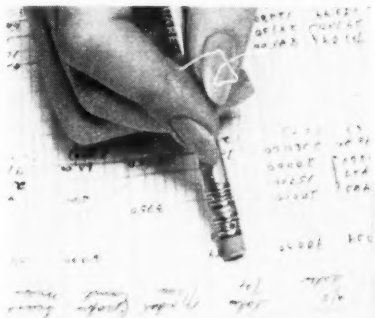
Frank Armour, president of H. J. Heinz Company, says the knowledge of what he terms "complementary marketing" will be most important in the 1960's, at least for his industry. He says this means "hard-hitting promotions and, especially, tie-in sales for complementary food products—products not necessarily made by the same food processor, but products whose joint promotion and joint merchandising make distributional sense to the store manager and to the housewife. The intelligent use of complementary marketing will dominate much of the food business in the Sixties," he predicts.

Joe Crail, president of Coast Federal Savings & Loan Association, Los Angeles, says no new skills will be needed that weren't needed a hundred years ago. These, he notes, are the self-disciplines required to produce goods and services at a profit. But he adds that one area where all businessmen at all levels need greater education and understanding is the operation of "free enterprise economics."

Dean L. D. Coolidge of the School of Business, University of Colorado, notes that many skills will be required of the executive in the 1960's. He adds:

"One of these [skills] surely will be the ability to pursue a sustained program of continuing self-education. Most of what we now 'know' isn't true. Much of the remainder will cease to be true during this decade. The ability to weed out what is no longer true and to take on meaningful new concepts will be indispensable." **END**

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## PUMP-PRIMING

*continued from page 44*

ther consumption. Encouraging consumer purchases, therefore, is the indicated goal for government efforts to stimulate the economy. Since government can do little about the customer's dissatisfaction with goods offered, it must concentrate on removing his fear. The question then becomes: How effective would the various pump-priming suggestions be in doing this?

### Tax cuts

Cutting personal income taxes would stimulate business almost anytime, not just in recessions. Even when consumers are saving 8.2 per cent of their income, if their taxes are cut enough to increase their disposable incomes by say six per cent, purchases might rise by about the same amount. If such a cut in taxes encourages consumer confidence, the savings rate might drop below eight per cent and total sales might rise by more than the cut in taxes.

If consumer purchases rose six per cent or more, business would have to buy more than six per cent more goods to accommodate the sales and maintain necessary inventories. This would encourage management to look more sympathetically toward purchase of new equipment, introduction of new items, or even expanded capacity. The gross national product as a whole might be increased five per cent, which might increase federal revenues by more than the cut in personal income taxes.

Cutting business taxes, or liberalizing depreciation rules, would stimulate business purchases, too. Business investment tends to run about 50 per cent above profits after taxes. For each \$10 billion in profits after taxes, business generally invests about \$15 billion. Only about 35 per cent of investment comes from depreciation accounts. About 26 per cent comes from retained earnings, and about 39 per cent from the public. Both of the latter depend on profits. When profits or the expectation of profits rise, investment tends to rise, with a lag of about a year, and by more than the rise in profits. So if corporate taxes are cut or if depreciation allowances are made more favorable, as happened in 1954, business investment tends to rise.

Even with the more favorable depreciation now permitted, with the lower profits that have prevailed

since the first half of 1959, business investment has not returned to 1957 levels.

Additional tax relief would stimulate business confidence and cause an increase in orders. This would result in higher employment in two or three months, which would increase consumer expenditures, which again would increase employment. The tax cuts might not show up in business investment figures for some months, but they would show up in the order books more quickly.

Also, tax cuts used as a recession remedy would mean loss of revenue and might postpone fundamental tax reform.

### Special programs

This approach to checking a recession lies in fields such as public housing, urban renewal, Federal National Mortgage Association activities, among others. Most of these are slow-moving approaches. Any public housing operation requires much preparatory work. Urban renewal is a ponderous operation. It moves in terms of years, not months. Even the FNMA operations, which pump money into housing rather directly through the purchase of mortgages, are slow.

But special FNMA assistance programs now might help the housing industry adjust to new markets. A program which made funds available for buying mortgages of possibly less than \$13,500, for instance, could encourage builders to put up housing for the growing number of young families and for older families who want smaller homes. Once the builders and mortgagers were geared to handle this growing market, the need for FNMA help should diminish.

In terms of timing, the best this sort of help could do might be to revitalize the home-building industry by next fall. But even the prospects of such a revitalization would be of some help in the spring. Subdividing activity would get started, and utilities would be put in, for instance, in preparation for the anticipated greater sales volume.

### Social programs

The most obvious attack in this field is the provision of increased unemployment benefits. This method puts money in the hands of those who need it. A man who is out of a job is not buying because he does not have adequate income. Extension of unemployment coverage and increasing the amount paid would provide an income to thousands who are approaching the limit of cover-



age. Such a program would provide jobs only indirectly. It might encourage workers with jobs, but fearful for those jobs, or workers on unemployment compensation, and fearing the end of their payments, to spend more. The fear that is holding back expenditures by those with jobs would diminish.

#### Public works

This approach is an old favorite. It is, however, generally not very effective in bringing anticyclical results.

It takes public works programs so long to get going that they often do not provide needed employment until the recovery is under way. And many types of projects the federal government supports, such as dams, harbor improvements, irrigation facilities, are either far from centers of population, or require special equipment and training. Dredging a channel or digging irrigation ditches does not put many unemployed auto or steel workers back to work in a hurry. It may be many weeks before such a program increases machinery demand appreciably, and so puts production men back to work.

The story is somewhat the same in fields in which the federal government may aid construction rather than undertake it directly, such as schools. The task of setting up criteria, getting the data, getting the requests for help, and reaching decisions as to whom to help, how and where, takes months.

The highway program is probably an exception. It has been under way since 1956. Rights of way already have been bought and plans have been drawn for a long-range operation. Highway building reaches each county in the nation. It would be possible to speed it up from a rate of \$6 billion a year to about \$7 billion a year in a six months' period, and give well distributed employment.

This would quickly stimulate secondary employment in asphalt and cement plants, machinery companies, and steel mills, as well as in local material and transportation companies and construction firms all over the country.

But even here the stimulus would come as quickly from the change in attitude on the part of the highway industry, and those supplying it, as from the immediate increases in consumption of materials or in the volume of contracts let by state and local governments.

The order volume might not rise much faster than currently sched-

uled for at least a month after instructions were given to expedite action. But no other public works program of any size is in a position to provide additional employment to the economy quickly and at the same time to provide needed public facilities at reasonable prices.

The question for the Administration, assuming that it decides to act, is which of these methods will work best at this particular time, which will work most quickly, and finally, which will cost the least over the long run—not just this year.

Tax cuts offer hope for immediate stimulus to the economy. They can add to consumers' income in the first pay check after the law is changed. While this will increase incomes, unless it results in consumers spending more and saving less, it will have only minor effects. But it may do just that. In company with other legislation, and in view of the fact the economy is likely to pick up some speed even without governmental intervention, small tax cuts might give a psychological, as well as income, lift to the economy.

A special FNMA investment program might only get under operation, at the earliest, by summer or fall.

Special programs tailored to the current situation, such as increases in unemployment compensation payments, and longer coverage, will increase incomes. Such programs might not be put into effect quite as rapidly as tax cuts because of administrative difficulties.

Public works—with the exception of highways—cannot do much in early 1961.

The Administration may decide most, or even all, such types of intervention are inadvisable.

If it does intervene what happens may be important.

If the recovery comes quickly after intervention, this may suggest that the intervention was beneficial and should be repeated the next time unemployment reaches six per cent—or some other specific figure. If the recovery is delayed, this may suggest additional intervention. If the Administration decides it should intervene this time, it may well set a pattern for future recessions.

It is important that the examination of causes for the current situation, and of the pros and cons of alternative actions, or lack of action, be carefully weighed. What is done in the next few weeks may have great influence on what happens throughout the current decade.

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# SHARPEN YOUR LOGIC

You can avoid these roadblocks to sound business thinking

LOGIC is one of the businessman's most-used tools. It enters into every decision he makes. Perfect logic, therefore, is greatly to be desired. It is probably also unattainable.

Logicians, however, have been able to pinpoint the places and circumstances where logic is most likely to stumble. They have given these pitfalls forbidding names, but the errors of the fallacies they identify are easily recognized in a business setting.

Knowing the dangers should improve your batting average as a decision-maker.

Here are the most common errors:

## ***Jumping to conclusions***

This error is technically known as "affirming the consequent." It starts out sensibly with something like this: If a man is conscientious (this is the antecedent), he gets to work on time (this is the consequent). The next step is the observation: This man regularly gets to work on time. No harm so far. The harm results when this is taken as proof that: This man is conscientious.



Men who get to work on time often are conscientious in other ways, too. So the man who jumps to this conclusion sometimes is right, by accident, and thus is confirmed in his bad logic.

Often, however, he may be burned. A broker tells of receiving a stock purchase order which seemed so unwise that he sought to dissuade the customer. The customer refused to listen. In the following months, the value of the stock declined steadily while other stocks generally rose. By the time the customer was ready to sell, his loss amounted to several thousand dollars.

Later he explained:

"I figured that outfit must be going places because I got an inside tip that it was planning a big new advertising campaign."

This may often be true. On the other hand, a management in difficulties also may use advertising to halt its decline.

**Handy formula:** When you reason "if X is true, then Y is true," remember that you have made Y follow from X, but not X from Y.

A second fallacy, known as "denying the antecedent," differs from Number One in that the fault lies at the other end of the line of reasoning.

That line might be something like this: If there are signs of great activity around your competitor's plant, you suspect him of being up to something. So far, so good. Then you note there are no signs of unusual activity. You could come to grief—and endanger your competitive standing—if you conclude that your competitor is taking things easy.

Lack of unusual activity at a competitor's plant can indeed mean that he is planning nothing new. But a competitor who really wants to steal a march might try to avoid giving the appearance of great new activity to throw you off the track.

Another good example of this fallacy was provided by the owner of a manufacturing plant in Pennsylvania. At a trade convention he was asked whether he had an employee turnover problem. He answered that he had some turnover but did not consider it a problem.

"If I paid bad wages," he explained, "I would have a turnover problem. But I don't pay bad wages, so

I don't have a turnover problem." Actually, his turnover rate was one of the worst in the industry and was cutting deep into his profit. This fallacy had been a blindfold blotting out all possibility of his seeing that factors other than wages can strongly influence turnover rates.

**Handy formula:** When you reason "if X is true, then Y is true," remember that this does not necessarily mean that if X is false, Y also must be false.

#### **Taking a premise for granted**

This fallacy—begging the question, or arguing in a circle—can lead a man astray even when he is making a great effort to be coolly logical. For instance, a young executive, Smith, discovers that a fellow junior, Jones, is going to a lot of trouble to try to please one of the firm's vice presidents. Smith reasons that he, too, should pay court to the same superior. His conclusion may, by luck, be correct, but his reasoning is fallacious because he has taken a vital point for granted.

Smith's reasoning goes like this: 1, Whatever Jones does, I should do. 2, Jones is playing up to so-and-so. 3, I should play up to so-and-so.

By taking Number One for granted, Smith prevents himself from considering it. Scarcely a moment of thought shows that the premise is not valid. Some things that Jones does Smith might profitably imitate. However, it would be absurd for him to follow every cue given by Jones. This makes possible for Smith a much more realistic line of reasoning: 1, Since Jones and I are rivals, whatever he does here is of interest to me. 2, Jones is playing up to so-and-so. 3, I must find out why.

**Handy formula:** Always check your line of reasoning for assumptions that may need re-examining.

#### **Judging the whole by its parts**

A manufacturer wants to set up a hard-hitting research department. His reasoning is fallacious if



he expects to accomplish this by hiring, say, the five most productive men in this field. Five productive individuals do not necessarily constitute a productive group.

The reasoning that leads to the conclusion that they should be known as the fallacy of composition. As any painting vividly demonstrates, colors can be entirely different in effect when they are placed side by side than when seen individually.

The point is that individual items, when assembled in groups, inevitably affect each other. The more complex the individual items, the greater the mutual effects are likely to be.

The head of a large retail firm once organized an idea panel among his executives. He tried to make membership a valued privilege by restricting it to men who had produced useful new ideas in the past. His reasoning was that by putting together and stimulating a group of men who had individually produced good ideas he could persuade them to produce more and better ideas.

For more than a year, the panel met occasionally for brainstorming sessions. It produced a few useful ideas but not so many nor so valuable ones as other executives produced in the same period.

Instead of improving these individuals' performances, assembling them into a whole almost destroyed their effectiveness.

**Handy formula:** Remember that although X plus X may equal 2, it also is possible for two X's to cancel each other out and produce zero.

On the other hand, in picking members for a research team it probably would be necessary to choose at least some from teams already functioning. But if you reason that, because some given research team is productive, each of its members also must be productive, you may stumble into the converse of the last fallacy. Reasoning that the attributes of a group belong to each member of the group is known as the fallacy of division.

One example often cited by logicians goes in this



## SHARPEN YOUR LOGIC *continued*

manner: Atoms are plentiful. Among the substances formed by atoms is gold. Therefore gold is plentiful.

Obvious though the absurdity of this may appear, somewhat similar reasoning has led experienced businessmen to lose large sums. The head of a mail order house tells one such story on himself. Observing that a competitor was enjoying fast-growing success, he carefully combed this firm's catalog and picked a dozen items which he previously had considered and rejected.

"This other outfit was doing so well," he reports, "that I figured I must have been wrong about some of those items. But I hadn't been. Every single one of them was a dud. I lost several thousand dollars on them, not counting the loss of my time and that of my organization."

His error was in reasoning that, because the other company's catalog as a whole had been a great success, the parts also must have been successful.

**Handy formula:** Remember that one person or thing in a group can differ in many ways from other members of the group.

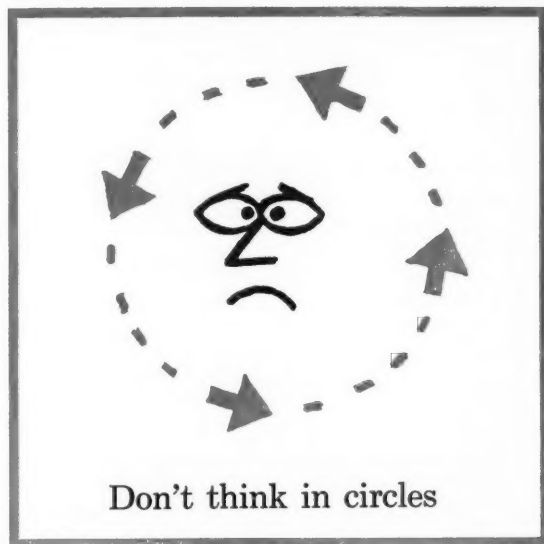
### **Failure to assess alternatives**

An outstanding example of this fallacy is the Marxist dogma that social institutions are determined entirely by economic factors.

This is not wholly false. Economic factors do have influence on social institutions. The error lies in calling that influence exclusive.

In business either of two contradictory tenets may on occasion develop into a case of this fallacy. One is the idea that the way to get things done is through teamwork. In many situations, it is true that no one man can have the knowledge or ability to deal with the problems involved. The fallacy arises in assuming that the only way to get things done is through teamwork.

Its contradictory alternative is the theory that one man usually can make decisions more quickly and more precisely than a group. It, in turn, becomes fallacious when it develops into a belief that the only



way to get things done is by assigning responsibility for them to individuals.

The head of an advertising agency once lost his temper over what seemed to him an excessive waste of time in committee meetings. He angrily announced that there were to be no more such meetings and threatened to fire all participants in any gathering of more than two staff members. Each employee was to make his own decisions, and could seek help from only one other employee at a time.

This brought the company's operations to an almost complete stop. Nearly all the employees required the collaboration of artists, copywriters, media men, account executives and other specialists. In a couple of days the boss's temper cooled, and he withdrew the order, saving face by pretending that his purpose had been to demonstrate how much time had been wasted in meetings. What he did demonstrate was the fallacy of reasoning that because a practice has some bad effects it can have no desirable ones.

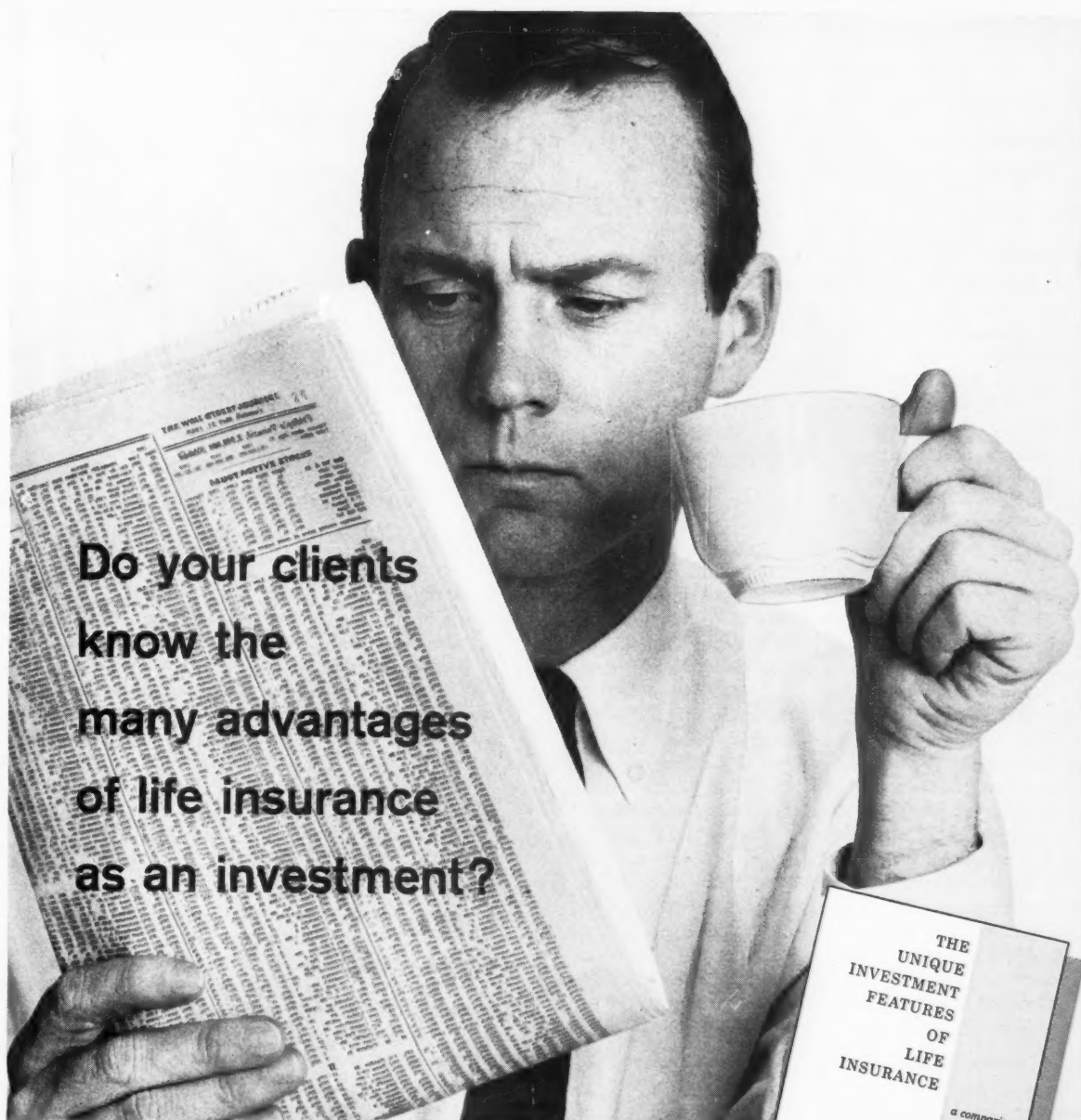
**Handy formula:** The fact that one practice produces good or bad results in some circumstances does not mean that alternative practices always will have opposite results.

It is true that many pairs of alternatives can be mutually exclusive. This makes it easy to commit the fallacy of false opposition (or false disjunction) by treating alternatives as mutually exclusive when they are not.

This has led to the argument that employees and employers are inevitable opponents in everything. The reason for this is supposed to be that employees want to receive higher wages and employers want to pay lower wages. The two choices—higher wages versus lower wages—are mutually exclusive. But on many other points, such as the success of the firm as a whole, employees and employers have clearly harmonious interests.

This fallacy can set at odds those whose most important interests are mutual. Two brothers each in-





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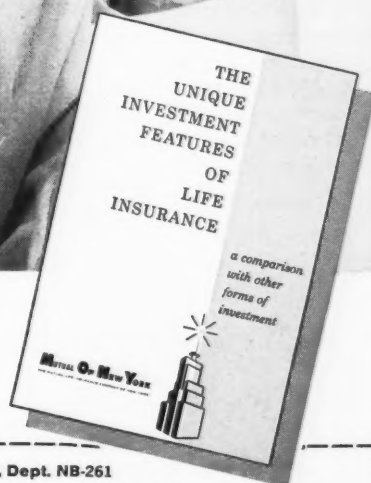
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## SHARPEN YOUR LOGIC *continued*

manner: Atoms are plentiful. Among the substances formed by atoms is gold. Therefore gold is plentiful.

Obvious though the absurdity of this may appear, somewhat similar reasoning has led experienced businessmen to lose large sums. The head of a mail order house tells one such story on himself. Observing that a competitor was enjoying fast-growing success, he carefully combed this firm's catalog and picked a dozen items which he previously had considered and rejected.

"This other outfit was doing so well," he reports, "that I figured I must have been wrong about some of those items. But I hadn't been. Every single one of them was a dud. I lost several thousand dollars on them, not counting the loss of my time and that of my organization."

His error was in reasoning that, because the other company's catalog as a whole had been a great success, the parts also must have been successful.

**Handy formula:** Remember that one person or thing in a group can differ in many ways from other members of the group.

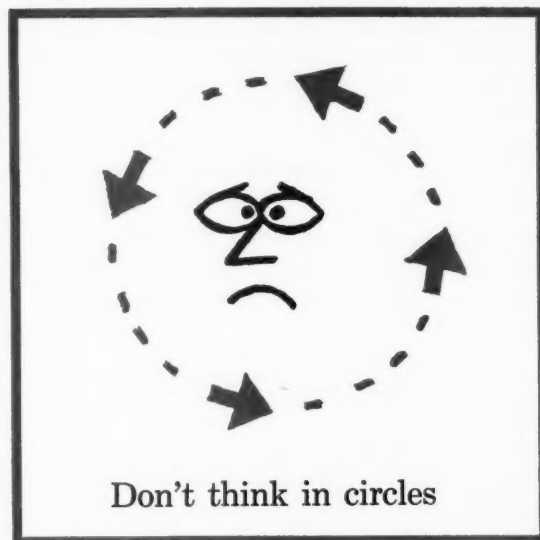
### **Failure to assess alternatives**

An outstanding example of this fallacy is the Marxist dogma that social institutions are determined entirely by economic factors.

This is not wholly false. Economic factors do have influence on social institutions. The error lies in calling that influence exclusive.

In business either of two contradictory tenets may on occasion develop into a case of this fallacy. One is the idea that the way to get things done is through teamwork. In many situations, it is true that no one man can have the knowledge or ability to deal with the problems involved. The fallacy arises in assuming that the only way to get things done is through teamwork.

Its contradictory alternative is the theory that one man usually can make decisions more quickly and more precisely than a group. It, in turn, becomes fallacious when it develops into a belief that the only



way to get things done is by assigning responsibility for them to individuals.

The head of an advertising agency once lost his temper over what seemed to him an excessive waste of time in committee meetings. He angrily announced that there were to be no more such meetings and threatened to fire all participants in any gathering of more than two staff members. Each employee was to make his own decisions, and could seek help from only one other employee at a time.

This brought the company's operations to an almost complete stop. Nearly all the employees required the collaboration of artists, copywriters, media men, account executives and other specialists. In a couple of days the boss's temper cooled, and he withdrew the order, saving face by pretending that his purpose had been to demonstrate how much time had been wasted in meetings. What he did demonstrate was the fallacy of reasoning that because a practice has some bad effects it can have no desirable ones.

**Handy formula:** The fact that one practice produces good or bad results in some circumstances does not mean that alternative practices always will have opposite results.

It is true that many pairs of alternatives can be mutually exclusive. This makes it easy to commit the fallacy of false opposition (or false disjunction) by treating alternatives as mutually exclusive when they are not.

This has led to the argument that employees and employers are inevitable opponents in everything. The reason for this is supposed to be that employees want to receive higher wages and employers want to pay lower wages. The two choices—higher wages versus lower wages—are mutually exclusive. But on many other points, such as the success of the firm as a whole, employees and employers have clearly harmonious interests.

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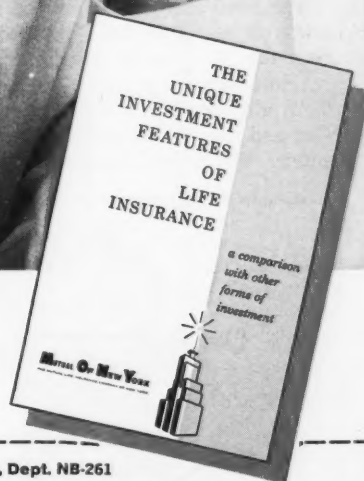
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## SHARPEN YOUR LOGIC *continued*

herited a half interest in the manufacturing firm founded by their father. For several years they carried on the business successfully and congenially. Then they quarreled, the firm slid downhill and they sold out just short of bankruptcy.

Not until much later did friends learn what had happened.

The younger brother wanted to move the business, and the older wanted to stay put. They made these alternatives mutually exclusive by each insisting on his own. Apparently, it had not occurred to them that each could have his way if the younger brother, who long had concerned himself chiefly with sales, had set up the sales office where he wanted to move and had left the manufacturing plant to his older brother.

**Handy formula:** Never believe that you have only two alternatives until you have made a thorough search for others.

### **Assuming X causes Y**

This fallacy may be the most widespread of all. It is the kind of reasoning that has made the fortune of many a snake oil purveyor. Sooner or later, even if the stuff he is selling actually is harmful, some of his customers are going to feel better after taking it. He can depend on them to tell their friends how his product cured them.

But it doesn't require a nudge from an unscrupulous operator to start us on this line of reasoning. Sometimes it is so difficult to determine the cause of an effect that we have to assume tentatively that some preceding event was responsible without knowing just how it worked. The difficulty lies in not keeping that assumption tentative.

The head of a manufacturing plant once promoted a woman assembly line worker to forewoman. Shortly after this, the spoilage rate on that line began to rise.

"Naturally," the branch manager says, "I thought there might be some connection between the promotion and the rise in spoilage, but I didn't want to be unfair. We looked into every other possibility we



Alternatives needn't be exclusive



Not necessarily the cause

could think of. None of them seemed to fit. I was about to fire the woman when she got sick and was out for two weeks. Since the spoilage rate kept right on rising, we had to look a little harder for other causes. Turned out one of our suppliers had made a slight change in the materials he was sending us, a change he had not realized could make any difference and which he had therefore been slow to tell us about."

**Handy formula:** Remember that effects follow not only their causes but also countless other events.

A somewhat similar fallacy results from depending blindly on analogies.

Primitive men noticed that lions were bold, so they ate the hearts of lions to make themselves bolder. We call this superstition. But an executive indulges in the same kind of reasoning from analogy when, hearing that another firm has had success with, say, a certain type of pension plan, he adopts the same plan without investigating how and why it worked for the other company.

The owner of a small chain of haberdasheries makes the proper use of analogical reasoning in his continuous search for new ideas. He frequently visits not only other haberdasheries but also retail establishments of every kind. He figures that other haberdasheries are analogous to his in many ways, and the few ways in which other types of shops resemble his may prove equally important in some cases. But he makes no use of an idea, no matter how successful it is to any other shop, unless he can be sure he knows why it succeeded.

**Handy formula:** Remember that any thing may be analogous to another in some respects, yet utterly different in others.—ROBERT FROMAN

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# STATES MOVE FAST TO CARE FOR AGED

## Partnership program preferred to compulsory federal benefits

THE NATION'S new voluntary medical care plan, only four months old, is already helping many thousands of old people.

Attention has been diverted from its successful launching by the fanfare accompanying fresh demands for compulsory federal health programs proposed by President Kennedy, Democratic congressional leaders, and participants in the White House Conference on Aging.

This month alone, more than 2,000 West Virginians are receiving care under the voluntary plan, which Congress adopted last summer. In Michigan, the total tops 3,000. Thousands more are getting similar benefits in Kentucky, Massachusetts, New Mexico, Oklahoma, Puerto Rico, and the Virgin Islands.

The costs are split by Uncle Sam and the states under a partnership arrangement. No one is sure how high the bill will go, but the best guess is about \$200 million a year. It depends on the number of states joining the program, which is not mandatory, as are most federal laws.

At least a dozen more states are getting ready to participate right away. Laws to grant the necessary authority are under consideration in five state legislatures currently in session. Five more states which consider additional legislation unnecessary are drafting specific programs and three others are seeking official interpretation of their laws to determine where they can act without legislation.

Opponents of the compulsory federal scheme are urging all states to join. They point out that private health insurance will provide medical care for most old people within a few years, and that the partnership plan will help the genuinely needy in the meantime.

A unique feature of the new program is its recognition that the federal government should not dictate who should be helped, or the type of

benefits they should receive. States are given unusual freedom to work out details.

Oklahoma, for example, pays for two visits a month by a doctor to a beneficiary's home. Michigan pays only if the patient goes to the doctor's office, or a hospital. West Virginia considers a married couple needy if their combined income is less than \$3,000; the Michigan limit is \$2,000.

One of the few federal requirements is that help be provided only to those aged 65 or older who are not receiving regular old age assistance benefits. The law also forbids revealing the names of beneficiaries, any requirement that recipients live in the state a certain period of time to qualify, and any attempt to recover the medical costs from the property of a beneficiary as long as husband or wife survive.

Some states have had to wait for legislatures to change laws conflicting with these provisions. In other states, the temporary delay

has been due to lack of appropriations to meet their share of the partnership payments.

Uncle Sam puts up from 50 per cent to 80 per cent of the costs, depending on the state's per capita income. The only limit on this contribution is the amount the state can or will spend as its share. So far, the appropriations have been substantial. For example, Michigan earmarked \$2,290,000 and West Virginia \$1,382,000 for the first six months.

Since it offers help to all the old persons who need it, many state authorities are convinced the new program makes the proposed compulsory health plan under social security unnecessary.

While many states supported the social security scheme at last month's White House Conference on Aging, a surprisingly large number strongly opposed it.

"Health problems of the aged citizen can be solved, not only more efficiently but also far more eco-

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nominically, at the local and state level through the use of the free enterprise systems of this democratic nation," Arkansas declared.

California's preparatory state conference adopted a resolution noting that the compulsory insurance proposal "does not even attempt to extend coverage to those who are not covered by social security." The resolution urged "that states give proper trial to the present federal legislation and implement it by legislation with liberal definitions of medical indigency."

Kentucky pledged "actively to oppose any legislation designed to impose free and/or compulsory health and medical care for aged persons without qualifying as to need." The new partnership plan, that state said, "should provide funds for adequate medical care, not only for public assistance recipients, but also the borderline medically indigent, and we recommend an adequate trial of this plan."

The Montana Committee on the Problems of the Aging commented:

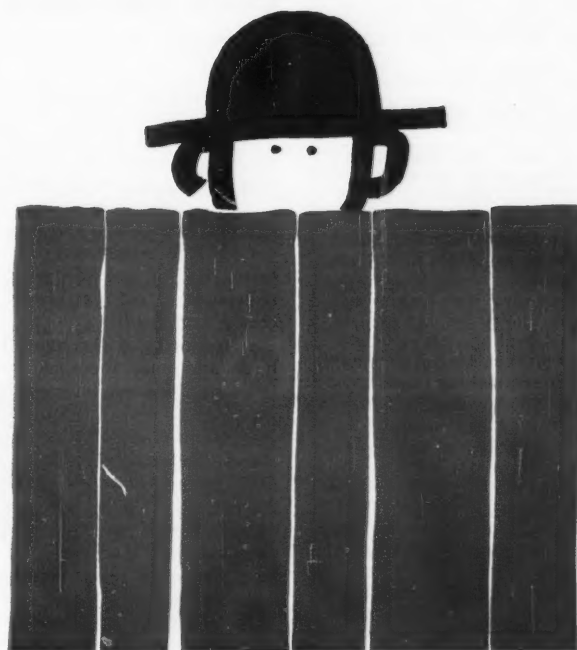
"The current trend of our national philosophy toward the principle of cradle to grave security, based on fact of birth alone, and irrespective of endeavor or merit, has also come to include a large element of getting all you can for nothing.

"The older citizens of Montana have not, in the majority, subscribed to this philosophy. In our society the idea of getting something for nothing is a myth. Federal programs cost money, much more than such programs carried on at the community level. In one way or another, these programs must be paid for, and tax increases often negate many of the benefits. It becomes a case of robbing Peter to pay Paul. And, in the final analysis, neither Peter nor Paul will get full value received."

#### **Benefits already available**

State after state noted the substantial medical care benefits already provided needy persons under the regular Old Age Assistance program. In the fiscal year ended June 30, 1960, payments for medical care alone under this program totaled \$283,265,000—about one fourth the amount that would be spent under the social security medical care scheme President Kennedy wants.

Distribution of these funds, like those under the new program, is largely determined by state law and varies accordingly. Last fiscal year each beneficiary in Massachusetts received an average medical pay-



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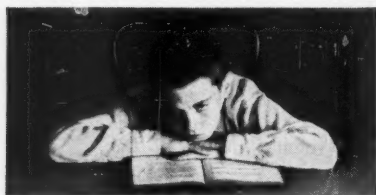
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## CARE FOR AGED

*continued*

ment of \$41.97 a month. This is almost double the \$26.33 calculated by the Bureau of Labor Statistics as necessary to cover the medical needs of a retired couple in Boston. Some less prosperous states gave much smaller amounts, a few less than \$1.

Old Age Assistance is intended primarily to provide a reasonable subsistence compatible with decency and health.

A majority of the aged, however, have adequate incomes and assets to cover their needs, including medical care. (See "Senior Citizens Pay Own Way," NATION'S BUSINESS, November, 1960). The median income of families with heads 65 or older is \$2,666, the White House Conference was told. "Median" means that half the families had incomes higher than that amount, and half were lower.

Since these are money income figures, they exclude a substantial element in the total income of many older people, that is, shelter provided by owned homes. The latest Federal Reserve Board survey shows that 66 per cent of all nonfarm families with heads aged 65 and older own their homes.

This eliminates 20 to 25 per cent of the total expenses of an average

retired couple. If the money income data were revised to take this into account, the median income of the aged would be raised considerably.

Including the cost of housing, the BLS study of retired couples shows their annual budgets must total only from \$2,641 in Houston to \$3,366 in Chicago. This is calculated to provide a healthful, self-respecting manner of living which allows normal participation in community life. It includes medical costs ranging from \$220 in Scranton to \$366 in Los Angeles. Even the lower amount is ample to pay premiums on health insurance.

### The future

Moreover, tomorrow's senior citizens will probably be better off than those of today.

That's why many experts think compulsory federal health care as part of the social security program is unnecessary, and even dangerous. Such a scheme, once begun, would not only be impossible to end, but would create pressure for extension of government medical benefits to the whole population, the American Hospital Association warns.

The new partnership plan, on the other hand, can reasonably be expected to grow smaller in the years ahead, since it is designed to help the needy aged, and their number is expected to decline. **END**

## WAGE-PRICE INTERVENTION *continued from page 37*

getting the strikers back to work," he says, "even if this means putting pressure on employers to make additional concessions."

Mr. Rees chides the federal government for urging policies of wage restraint in its economic reports while ignoring the actual impact of existing wage policies which tend to push wages up.

### Measuring productivity

Problems of limiting wage increases to the increase in productivity are cited by Frank E. Highton, labor economist for the General Electric Company. The main problems are how to measure the increase in productivity and how to use the findings.

Productivity is usually measured in terms of quantity of output per man-hour of input. Mr. Highton thinks a better measure is one developed by Prof. John W. Kendrick of The George Washington University. It includes in the input factor the capital invested in labor-saving

and other devices which help workers increase their output. Including the latter would show a slower rate of productivity increase.

For example, the Bureau of Labor Statistics index of output per man-hour measures only the work of production workers and shows an average rise of 3.1 per cent a year from 1948 to 1959. When output per unit of capital invested is included, the average productivity increase is only 2.2 per cent a year. (The increase would be even less if the output per man-hour included the increasing number of hours contributed by white-collar workers.)

Use of the productivity measure in wage determination has to be flexible, rather than part of a rigid formula, according to Mr. Highton. At the same time, he adds, if unit labor costs and the general price level are to be kept stable, the average of all wage increases must be kept within the cost savings of the productivity of the total economy.

In some industries, where de-



mand is lagging or foreign competition has intensified, the GE economist says, the need may not be for stable, but for lower costs and prices. Even in other industries, consumers ought to share in the benefits of increased productivity through lower prices.

Mr. Highton points out that top union leaders have based demands for wage increases on the rise in productivity of their company, their industry or the total economy, depending on which figures serve their purposes best at the time.

In presenting wage demands on GE last year, James B. Carey, head of the International Union of Electrical Workers, contended that the demand should be measured against the "actual increases in productivity within General Electric itself."

In his most recent demands on the steel industry, David J. McDonald, United Steelworkers president, asserted that the wage increases were "justified by the increased output per man-hour of steel workers," meaning the industry.

#### Mr. Reuther's view

In presenting the UAW's wage demands on the automobile industry in 1958, Walter Reuther said: "We want only what we know can be paid out of the increased productivity of the total economy, not the auto industry, not the Big Three, but the total economy."

There are fallacies in all three approaches, Mr. Highton says.

Productivity increases vary widely by companies and industries, and from one year to the next. Figures are not available for individual companies, but BLS studies of 29 industries show that over a 12-year period productivity has decreased in three industries—mining of usable iron ore, telegraph communication and seamless hosiery. It has increased in the other 26 industries, in some by only a few percentage points and in one, synthetic fibers, by as much as 175 per cent.

With this wide range of differences, Mr. Highton says, any attempt to tie wage increases to the productivity increases of individual companies or industries would only result in a chaotic wage structure.

It is fallacious, also, to assume—as some members of Congress did—that in a pattern-setting industry such as basic steel it would not be inflationary to grant a wage increase which was higher than the rate of increased productivity for the industry or the total economy if the industry could absorb the

higher cost without raising prices. Wage increases which exceed the productivity increase of the economy are inflationary even though the cost is absorbed, Mr. Highton points out, "because the wage increases of the pattern-setters tend to spread across other industries with lower rates of productivity, raise their costs and product prices, and in turn raise the costs to others."

The productivity increase of the economy is the only productivity measurement relevant in judging whether a wage increase may be

potentially inflationary, Mr. Highton says. One weakness in Walter Reuther's demand was that the wage increase which would be measured against the productivity increase was only one part of the economic package asked of the automobile industry.

#### Boards for industry disputes

A plan to have in each critical industry a permanent board of management and labor representatives for the settlement of disputes has been advocated by Archibald Cox, former Harvard law professor



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## WAGE INTERVENTION *continued*

who was President Kennedy's closest labor adviser before the election, and is now Solicitor General.

The boards would engage in mediation, fact-finding with or without recommendations, voluntary arbitration, or take other steps to avoid a national emergency. They would be established by law and would function in a way similar to the machinery which now exists in the railroad industry (under the Railway Labor Act) and in atomic energy (by executive order of the President).

Where an industry fails to set up an industry board, the President would appoint a public board to help the industry do so or to take the industry board's place.

Mr. Cox would have a permanent National Emergency Disputes Board available to step in when a labor dispute threatens to create a national emergency. The Board would be composed of the Secretaries of Defense, Commerce and Labor and two eminent citizens from the ranks of management and labor.

The Board would have three functions:

- To try to arrange a settlement of the dispute without a strike.

- To arrange for protection of the national interest in the event of a strike.

- To hear both sides and advise the President whether a strike or lockout would do immediate harm to the country.

Having received a report from the Board, the President would have legal authority to follow any of five courses of action:

- Appoint a fact-finding board to mediate and make public recommendations for settlement.

- Appoint a board of inquiry to arrange voluntary arbitration or, if that fails, fix public blame on the party responsible for the failure to arbitrate. The threat of public censure is supposed to bring more acceptance of arbitration.

- Obtain an injunction against a stoppage for not more than six months.

- Seize and operate the company affected by the dispute.

- Do nothing. Sometimes a settlement comes quicker when both sides are convinced that nobody is going to help them.

Business organizations have long opposed the use of fact-finding boards and other outside agents

who have no responsibility to the business or industry involved and whose intervention usually amounts to compulsory arbitration. As some have pointed out, the findings usually favor the union in the interest of getting a settlement.

### Council of advisers

The new Secretary of Labor, Arthur J. Goldberg, would set up a National Council of Labor-Management Advisers to advise the President on all kinds of economic problems. Its membership would be equally representative of labor, management and the public.

It would recommend programs to encourage economic growth, help achieve full employment, minimize strikes by promoting labor-management conferences at industry and local levels, and help settle national emergency disputes through mediation, fact-finding and recommendations.

R. Heath Larry, administrative vice president for labor relations of United States Steel Corporation, attacks the idea of a Presidential advisory board or any other top level labor-management conference as being as potentially dangerous to the maintenance of our competitive free market society as compulsory arbitration.

Mr. Larry dealt across the bargaining table with Secretary Goldberg when he was counsel to the United Steelworkers.

The steel executive suggests that a summit conference or advisory board might recommend a national wage policy. Then it would have to recommend a national price policy.

Do the suggestions for an advisory board imply, Mr. Larry asks, that some group of executives, union officials and public representatives would in their infinite wisdom plan how the country should grow, how the fruits of growth should be distributed, and how the impact of changes which accompany growth should be administered here, there, and everywhere?

Perhaps what business faces is best summed up by Prof. Richard A. Lester, Princeton University economist and another Kennedy adviser, when he says:

"Government interest in the results of collective bargaining seems likely to increase with stress on economic growth and productivity in our world contest with communism.

"Pressures seem likely to increase for greater government influence in pattern-setting bargains and in major labor disputes." **END**

## COMING BOOM

continued from page 43

competitive world. There can be little doubt that the competition which American business faces in domestic and foreign markets is altering the thinking of our businessmen. Perhaps the most obvious case is the automobile industry.

The competitive force is felt in other industries as well.

### Customer comes first

If we are to compete with foreign goods, American business must pay closer attention to the customer's desires.

Although advances in living standards abroad may work in our favor by raising foreign prices, we must continue to improve our products and reduce our costs.

Only in this way can we expand our foreign and domestic markets.

Active competition between firms, products, and industries will provide much of the growth stimulus in the years ahead. Business has learned to live by research. A firm which is satisfied with its product line is headed for trouble. Research, whether for cost reduction or new products, can open additional avenues for investment and provide the greatest promise for growth.

America will have the manpower to produce a substantially greater national product.

Technological change provides us both with incentive and the means to carry this still further.

If growth is not at a high level, it will be the result of an imbalance between investment and consumption. During most of the postwar period these two uses have competed strongly for our nation's output. Toward the end of this decade strong consumption demands will arise from an exceptional rate of household formations. Unless the necessary productive capacity is built in advance, an imbalance could occur in the late 1960's.

This is why a new surge of investment for general expansion of output is coming.

### Meeting capital needs

To meet the total capital requirements of the economy in the next 10 years, it is necessary that the foundation be laid now for augmented savings when they will be needed.

The incentives for saving should be adjusted to provide for the innovations in equipment and in more efficient plant which a highly com-

petitive economy will require. These incentives should be flexible enough to vary as fluctuations in total spending become excessively high or low. Changes in the procedures for allowing tax-free depreciation would be an important step in providing flexible tax incentives.

There is another problem that should be considered. From time to time unemployment rises beyond a reasonable level. Changes in the occupational, industrial, and geographical patterns of labor demands have taken place faster than workers have been able to adjust to them.

The problem merits thoughtful attention from all of us. Private and public action should be coordinated to give a high degree of mobility to labor and to provide whatever further assistance is required for smooth transitions in employment.

Business profits may be hard-earned in the years ahead—even if our economy maintains reasonable

**"This will be an era  
of change"**

What skills will managers need most? For an exclusive Nation's Business survey, turn back to page 38

balance and we employ our resources fully.

The competitive situation favors profits from volume and from innovation rather than from high per-unit profits on existing mass production goods.

Although immediate expenditures on research and new product development may be high, the greater emphasis on such investment will increase the long-range profit opportunities of American business as the decade progresses.

We must approach the period ahead with a determination to meet the challenges of today and tomorrow rather than those of the past. We must be flexible in order to achieve the necessary balance which will bring us a high level of economic activity, a satisfactory growth rate, and stable prices.

What will happen to the economy in 1962, in 1963, and the years beyond depends on the skill with which we marshal our resources for the challenge ahead. **END**

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This is an open letter; it appears in public print. But please consider that it pertains to you personally, because it does.

I am addressing this letter to you as the owner of your own business, or as a person holding an important executive position in a business firm, or as the manager of a voluntary organization of businessmen -- a chamber of commerce, or a trade or professional association.

This is a cordial invitation to you to attend the 49th Annual Meeting of the Chamber of Commerce of the United States, in Washington, April 30 to May 3, 1961.

I hope you will accept, I hope you will plan to be here. I can promise you two things:

--I can promise you, first of all, that you will get something out of this meeting that will help you in your own work; and

--I can promise you that you will get something out of this meeting that will help you, as an American citizen, to build this country's growth, productivity and strength.

That's promising a lot, I know, but the National Chamber's Annual Meeting has a lot to offer. The subjects



- 2 -

discussed at this meeting are the big subjects of the day: national problems, legislative proposals, political developments, business trends.

The speakers are top national leaders in business and government -- men who have something to say, and who know what they're talking about.

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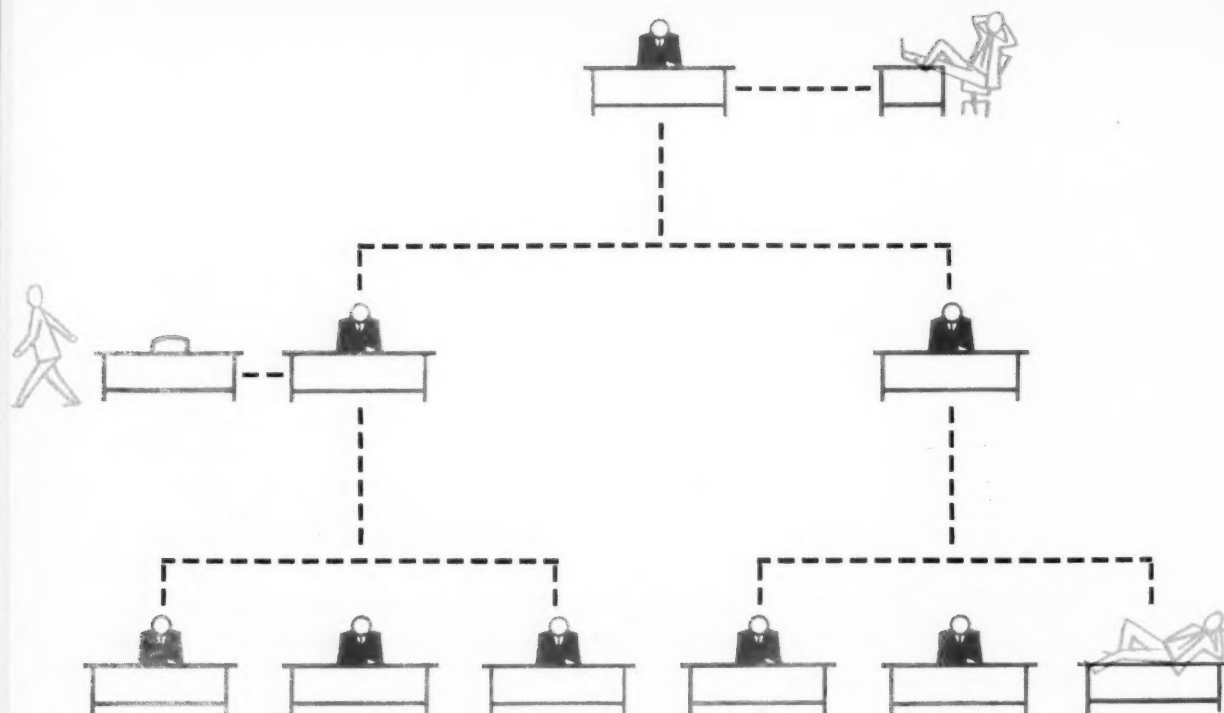
Save the dates: April 30 to May 3, 1961. Plan to be here. You will enjoy the meeting, every moment of it. You will go home better informed than when you came. And the information you carry away with you will be of practical use to you in your life and in your work.

For detailed information, get in touch with your local or state chamber of commerce, or write us.

Sincerely,

*Arthur H. Motley*

President



# WHO SHOULD BREAK THE RULES

Too much offbeat behavior can harm a  
business as much as strict conformity

EVIDENCE is piling up that offbeat thinking and originality can be as dangerous to company progress as the deadening conformity we have heard so much about.

Critics of business can make a convincing case that mavericks are needed. Quiet but definite campaigns have been launched to eliminate yes men from posts of responsibility. Many a man at the lower management levels, too, is beginning to speak and act more freely.

But in some organizations the trend toward maverickism and nonconformity has swung so far that it has become the rule, not the exception, for an employee to be obstinate, intractable, or automatically opposed to everything, good or bad. Under such cir-

cumstances, nonconformity is a mixed virtue. The single ingredient which makes even a medium-sized company run is organization. Corporate discipline and individual willingness to play on a team are desirable. A nonconformist is not necessarily entitled to be pigheaded for the sake of being different.

Nonconformity by those who overemphasize their own functions because they can't see the whole picture can seriously damage a company. Where many small groups must be coordinated from the top, some conformity to policy and regulation is essential to prevent chaos.

For this reason, some managements which formerly were most vocal in espousing free thinking and maverickism have begun to rebuild the fences that limit

the range of behavior. The question is: How can a company encourage creativity, originality, independent thinking and action, but still maintain the kind of discipline and teamwork that organized effort requires?

Companies seeking to answer this question will achieve greater success if they answer three other questions first:

- ▶ When is nonconformity a good thing?
- ▶ When is it bad?
- ▶ How can we get one without the other?

#### **When nonconformity is good**

Every business has key spots where free-thinking and free-speaking people are assets.

The major value of scientists, for instance, is their ability to come up with new ideas. Many of these at first seem wild and impractical but it is from such maverick thinking that new products and processes are produced.

Engineers who convert scientists' schemes into useful and practical products cannot be too tightly bound by rules of behavior.

Most staff departments, too, are idea departments whose principal job is to develop improvements and to solve problems. Most often the unwritten rules require the staff member to conform in some outward aspects, such as attire and adherence to regulations applying to other employees. Inside his cranium, original and seemingly wild ideas should be generated and sorted.

Line managers also must be encouraged to think boldly, and to fight back when they have ideas for improving operations. But since they spend most of their time in management and operation, they are under great pressure to conform in such things as attendance, safety, and in observing the rules of the company.

Management should assure these people by word and action that it really wants new ideas and will reward them for being themselves. But even here an employee is not entitled to be pigheaded merely for the sake of being different.

#### **When nonconformity is bad**

Three kinds of offbeat behavior almost always lead to wrong results, and work to the disadvantage of many people, including other employees, the company and investors. These three general categories include:

- ▶ Avariciousness ("Me first, the devil with everybody else").
- ▶ Intractability ("I'm automatically opposed to everything").
- ▶ Pigheadedness ("Don't try to change my mind").

Let's look at some examples of how each of these different types of behavior can hurt the organization.

*Avariciousness:* Not long ago, in a large midwestern manufacturing plant, the sales manager was discussing his key salesmen.

"My problem," he said, "is that some of my best men won't push a new line. They will work hard on the lines that are easiest to push, and on which they can make the fastest commission, even when they know that we need the orders on a wide variety of lines to stay alive. I don't know how to answer them when they say they've got to be allowed to sell the goods as they see fit."

The problem is compounded in many companies when the sales organization is on a commission plan that enables salesmen to make more money than the sales manager. This turns the salesman into an independent employee who is nearly immune to discipline and orders. Many companies now are using their best managerial brains to get them back into line.

"I want salesmen who will show initiative," one sales manager said, "but I'd like them to use the initiative to sell our line, and not just to manipulate me for their own benefit."

Occasionally this pursuit of narrow interest is found among highly trained engineers and scientists, too. In one research organization a Ph.D. consistently ignored the projects which the director of the laboratory assigned him. More often he worked on something which would make a big splash at professional society meetings. He acquired a wonderful reputation in the field of science where he specialized.

"I wish he'd use some of that talent for us," the laboratory director said. "He won't even sit on a problem conference with our other researchers. He spends our money freely to follow his own interests. Maybe nonconformity is good, but we're seriously thinking of suggesting that he go find a university to nonconform in, and let us get on with the business of the lab. The rest of us are scientists, too, but we made a bargain to accept pay for researching for this company, and we figure that he should do the same."

In some cases a small group rather than an individual talks independence and freedom to act, and practices selfishness at the expense of the rest of the organization.

In one large company the engineering department has three company station wagons, originally purchased at a time the engineering department had several projects in construction around the county and needed a means of transporting teams of engineers and small supplies. After the projects were finished the engineers kept tight control over the use of the wagons. They were always declared to be "in use or assigned," even though they were seen parked

## BREAK THE RULES

*continued*

in front of the engineering office for days on end.

Finally, the general manager ruled that the wagons were to be scheduled through the office services manager, and engineers would have to apply for use of their own vehicles. An anguished howl went up that the chief engineer's freedom to utilize his own equipment was being abridged.

**Intractability:** Among the people who cry loudest for freedom from conformity are those who have a natural rebelliousness to any controls or restraints. They feel that they should not only be able to choose the method of performing a job but also have the right to accept, reject or substitute their own goals for company goals.

Take the case of a personnel research department which was asked to conduct a salary survey and compare its company's wage rates with those of the industry and the community. The company's policy was to pay rates equal to those paid in the community or industry. The research chief and his assistant argued that it would be better business to pay slightly more than community rates, thereby attracting better people. They had a fair hearing and the decision went against them.

Dissatisfied because their opinion wasn't adopted, they fudged the survey figures so that company rates were made to look slightly lower than the actual results shown. On the basis of their report, some general increases were given to all employees.

By accident the company officers discovered that the survey had been doctored. When confronted with this evidence the researchers admitted what they had done, and denounced the company bitterly when they were fired.

"I think it's stupid of the company to suppress the thinking of a professional to fit it into the mold of people who aren't as expert as we are in personnel management," one of them said. "To me this proves that it doesn't pay to think for yourself in industry."

In another company the training director was a vocal advocate of nonconformity and independence of action. This often took the form of caustic remarks about the management, its intelligence, its policies, its motives, its abilities and its qualifications. This was borne with good humor and a certain amount

of tolerance until it was discovered that this individual was a transmission line for rather confidential information to a competitor. Through an acquaintance in the competing firm he dropped tidbits of gossip, rumor, and damaging information about vulnerable areas where the competitor might obtain a trade advantage through fast action in using the information.

Since the company was concerned about keeping its people free from too many shackles that would inhibit its thinking, it limited itself to telling him sternly to button his lip or else. The chagrined training director confided to a friend that "all of that stuff they say about wanting nonconformity is only lip service and hypocrisy."

Rebelliousness can be helpful when it's channeled against old-fashioned ideas, the status quo, stuffy adherence to the past, or obstacles to progress. When the same rebelliousness channels itself into

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## WHAT'S WISEST MOVE government could make to spur business? There are four choices. See page 44

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keeping other people from doing what they'd like to do to move things ahead, when it's used to turn back the clock, or threaten the company in the market, the company is obliged to stifle it. This is, of course, part of the employment contract, and freedom here is to accept the contract or refuse it. It doesn't extend to accepting the income from the contract without reciprocating with performance according to the ground rules. The bargain goes something like this:

"The company agrees that it will provide pay and benefits to people who accept its authority on how to run the business. It doesn't suggest that people who aren't on the payroll need accept it. The company official who tries to tell a professor in a university how to think or teach is being impudent. If the professor takes a corporate job, however, he bargains away some of his academic freedom in exchange for the good pay and benefits he gets for doing so.

"Companies remain competitive only if they can make decisions,

and this requires authority. The natural rebel can either be free to live in a beatnik pad, or harness his energies under organization for the rewards that go with it."

**Pigheadedness:** In a chemical company a problem in quality control cropped up in manufacturing. As a result, management decided that some discretionary powers would be taken from the superintendents and given to the research laboratory which had trained men and complex equipment to maintain better control. Several of the superintendents felt that this was a curbing of their authority and decision-making power. They began quietly to undermine the quality control department. As a result, some serious mistakes were made in a couple of large shipments before the matter was brought to a head.

"The department manager should have the authority we used to have over quality," one of the superintendents declared heatedly. "It's wrong to turn major manufacturing decisions over to some woolly scientist."

This group was emphatically straightened out by the boss, who made it clear that such matters were not suitable areas for managerial freedom of decision and that henceforth they would follow the new procedure.

The manager of a company's southern office was an old-timer who wouldn't go along with a new salary administration plan. "Waste of company money," he declared. Accordingly, he refused to grant increases to employees who were entitled to them according to salary surveys. As a result, a number of valuable employees quit before he was straightened out on the fact that the company wanted to pay enough to hire and keep the best employees.

In another instance, a negotiator was instructed to settle a wage dispute for an eight-cent hourly increase. This figure had been carefully selected, based on settlements elsewhere in the company and industry, and in line with an over-all company plan. Figuring he could be a hero, he wangled a settlement for six cents. Although he saved the company some wages, the two-year contract was filled with grief and confusion.

When large companies decentralize, passing decision-making down to the lowest possible level, they often run into pigheadedness in middle management. The man who has been accustomed to making most of the decisions tenaciously hangs onto



the decision-making power which he had under a centralized setup. Occasionally this takes the form of agreeing with the policy in contacts with those above, and tightly gathering control over decisions which might be made by those subordinate to him. Since this is sometimes difficult to detect, it takes hard selling and training to make this form of organization work the way it is intended to work. To him it appears that his freedom and his discretion are being abridged by forcing this new policy and method of organization upon him.

"I used to be free to decide how to run my plant," one manager said. "Now the people in headquarters say I've got to pass my responsibility down to the foremen."

The point which he misses is that the total amount of freedom and autonomy in the organization is far greater for more people and that, to allow many people to work more freely, it's sometimes necessary to limit somebody else's area of discretion.

The office manager in one company felt the effects of this apparent anomaly not long ago. For years he had managed his office like a martinet. He had hired below starting rates of pay, had passed people over who were eligible for pay increases, and had shortened by some 50 per cent the coffee break which was stipulated in company policy.

Finally, the company's personnel staff instructed him to get in line with the rather generous plan the company had devised.

"Fine thing," said the office manager, "when some fellow from headquarters can walk in here and dictate how I should run my office after all the years I've run it."

For the people who had worked under this man, however, the new measures were far from a restriction of freedom or any evidence of deadening conformity. To them it looked like a chance at self-expression and freedom which they'd never seen before.

#### How to handle nonconformity

Since it's apparent that freedom to work individually is sound business only on a selective basis, how do you get people in certain positions to conform?

Basically, healthy conformity is achieved when organization, procedures, policies, regulations and systems are devised to express perfectly what one expert has called the "law of the situation."

These rules and policies are those dictated by the market, customers,

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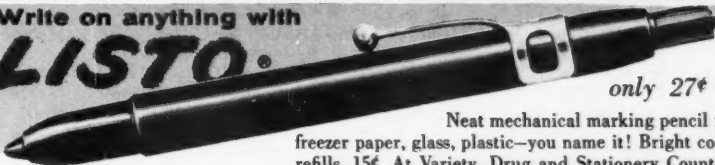
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## BREAK THE RULES

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pressures of cost, and the need for quality service. Such things are usually evident to most people. Where they aren't, they must be fully communicated. Once this is done, it's expected that they'll see the necessity of obeying.

Acceptance comes easiest when the rules are recognized as sensible and effective to solve the organization's problems. When the rules, procedures, policies and systems are personal whims of some arbitrary individual, they stand less chance of being willingly accepted. In fact, they breed resistance and obstruction. In such cases, the violator often declares himself a nonconformist and seeks admiration and praise for his attitude.

Letting people participate as much as possible in the decisions that affect them is one way of enforcing the law of the situation. You pick rational people who know their own self-interest, and explain the situation to them. They then voluntarily conform.

Under such circumstances it's no problem to find the proper balance between authority and nonconformity:

People feel free to express doubts until the decision is made. Once it's made they realistically accept this as a condition with which they must live. People will take normal business risks. Under the law of the situation you tell them what results are expected, and leave the method to their judgment.

Management doesn't concern itself with alikeness in people. Rather than following a patented guide chart which wraps people into neat packages of thinking and behavior, the law of the situation prescribes what's expected in results, and allows the individual to determine the trivial details.

An organization can break apart from rigid conformity over every detail. It can likewise break apart from excessive maverickism which expresses itself in undesirable forms of individuality in the ranks.

—GEORGE S. ODIORNE

Director

Bureau of Industrial Relations  
University of Michigan

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# How to be bold and imaginative

**BOLD AND IMAGINATIVE ACTION** is generally recognized as a major need if this country is to have a satisfactory rate of future growth. Without it neither nations nor individuals will be able to adapt to the processes, ideas and new frontiers the changing years will bring.

Our government has promised dynamic new programs which will encourage us to be bold and imaginative. It will demand sacrifices, if necessary, so that we can go forward with a renewed sense of purpose.

This is a worthy goal. If we have lost boldness, imagination and a sense of purpose we ought to try to regain them. Government should help all it can. As a reasonable first step it might try to find out where we lost these desirable attributes and what steps it can logically take to bring them back.

Such an investigation will remove a considerable load from both the Administration and the Congress. It will show that we actually have a dynamic government plan calculated to encourage boldness and imagination.

It is called the Constitution. As originally drafted and interpreted, the Constitution inspired the venturesome to explore a continent, span it with roads and railroads, establish homesteads and build cities—some of which are now unlamented ghost towns.

Men who hoped to improve their own lot produced cotton gins, sewing machines, electric lights, telephones, flying machines, automobiles, assembly lines. They also produced a host of other things now long forgotten. Both those who prospered and those who didn't knew that the government would not commiserate with failure or penalize success. When competition became too brutal, government provided some restraints so that the strong

would not gain too much or the weak suffer unnecessarily, but the risks and profits of boldness and imagination remained with those who took them. Our growth ranged upward toward seven per cent a year.

Then, somewhere in the 1930's, profits fell into disrepute. We were led to believe them akin to piracy, that he who took a profit robbed his fellow man. We began to argue for production for service, not for profit. This argument overlooked the fact that one who does not make a profit cannot continue to give service for long and that, like the producer, the buyer takes a profit in the form of convenience, comfort, or well-being.

Soon we were passing—and have continued to pass—more and more laws designed to make profits both impossible and unnecessary. Those who make a profit are taxed and harassed. Those who don't are invited to look to the federal government for solace, support and security.

Now we are finding out that, no matter how much it distrusts or decries them, government also depends on profits. When they decline, as they have been doing, revenues fall off, expected surpluses turn to deficits, our money becomes suspect, inflation pushes prices up, and more people feel justified in asking government help to meet costs they once would have been expected to meet by their own efforts.

A truly dynamic government will ignore such requests as being neither bold nor imaginative. Instead it will turn to sound tax laws, and other measures which encourage the hope of rewards.

Barring a dedicated few in religion, education, science or medicine, a sense of purpose which attracts men toward new frontiers is another name for profits.



